

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
2007 Summary Statement and Initiatives
(Dollars in Thousands)

PUBLIC HOUSING CAPITAL FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2005 Appropriation	\$2,600,000	\$299,886 ^{a/}	-\$20,800	\$2,879,086	\$2,555,422	\$3,152,622
2006 Appropriation/Request	2,463,600	322,002 ^{b/}	-24,636	2,760,966	2,463,600	3,112,000
2007 Request	<u>2,178,000</u>	<u>322,002</u>	...	<u>2,500,002</u>	<u>2,178,000</u>	<u>2,865,000</u>
Program Improvements/Offsets	-285,600	...	+24,636	-260,964	-285,600	-247,000

a/ Includes \$13.1 million in recaptures.
b/ Excludes \$16.6 million in expired funds.

Summary Statement

The Department is requesting a total of \$2.178 billion for the Public Housing Capital Fund account for fiscal year 2007. Of the total amount requested, \$2.085 billion will assist housing authorities in carrying out capital and management activities and to cover the annual accrual of capital needs. In addition, \$19.8 million is requested to make grants to Public Housing Agencies (PHAs) for capital needs resulting from emergencies and natural disasters in fiscal year 2007, \$10.9 million is requested for public housing technical assistance, and \$23.8 million is requested for the Resident Opportunities and Self-Sufficiency (ROSS) program. Further, the Department is requesting \$7.9 million to support the cost of administrative and judicial receiverships or other intervention, \$14.9 million for the development and maintenance of information technology systems, and \$15.3 million for the financial and physical assessment support for public housing.

This 2007 request represents an overall decrease of \$261 million from the 2006 enacted level of \$2.44 billion. The fiscal year 2007 Budget continues to make funds available to PHAs to address rehabilitation and modernization needs. The overall level of funding requested is sufficient to meet newly accrued needs and overall is commensurate with the estimated \$2 billion annual capital accrual needs of the public housing inventory. The outlay estimates for fiscal year 2007 remain relatively consistent with previous years, as funds in the pipeline continue to be expended. In recent years, the backlog of capital needs for public housing has been reduced through demolitions in some cases and modernization in other cases of many older projects in poor condition. A mandatory conversion rule will soon be implemented that will greatly accelerate the demolition of units beyond repair.

The condition of public housing units in general has improved through modernization and, in other cases, demolition of units in the worst condition. Today, 85 percent of public housing units meet HUD's physical standards, as opposed to 82 percent in 2001.

Initiatives

No initiatives are requested for this program in fiscal year 2007.

Public Housing Capital Fund

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Summary of Resources by Program
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2005 Obligations</u>	<u>2006 Budget Authority/ Request</u>	<u>2005 Carryover Into 2006</u>	<u>2006 Total Resources</u>	<u>2007 Request</u>
Formula Grants	\$2,430,053	\$76,930	\$2,506,983	\$2,430,933	\$2,346,577	\$72,073	\$2,418,650	\$2,085,435
Emergency/Disaster								
Reserve	29,760	65,264	95,024	40,326	16,830	54,698	71,528	19,800
Technical Assistance ..	38,390	67,662	106,052	42,222	10,890	65,961	76,851	10,890
Resident Opportunities and Supportive Services	53,072	66,871	119,943	27,309	37,620	92,819	130,439	23,760
Administrative								
Receivership	2,976	...	2,976	...	8,732	2,976	11,708	7,920
Working Capital Fund ..	10,069	...	10,069	10,069	10,890	...	10,890	14,850
Neighborhood Networks .	14,880	23,159	38,039	4,564	7,425	33,475	40,900	...
Financial and Physical Assessment Support ...	...	...	...	...	...	...	...	<u>15,345</u>
Total	2,579,200	299,886	2,879,086	2,555,423	2,438,964	322,002	2,760,966	2,178,000

<u>FTE</u>	<u>2005 Actual</u>	<u>2006 Estimate</u>	<u>2007 Estimate</u>
Headquarters	141	134	131
Field	<u>234</u>	<u>232</u>	<u>229</u>
Total	375	366	360

Public Housing Capital Fund

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Program Offsets
(Dollars in Thousands)

Formula Grants	<u>Amount</u>
2005 Appropriation	\$2,430,053
2006 Appropriation/Request	2,346,577
2007 Request	<u>2,085,435</u>
Program Improvements/Offsets	-261,142

Proposed Actions

The Department proposes \$2.085 billion for Public Housing Capital and Management Activities Formula Grants in fiscal year 2007. This amount is commensurate with the estimated annual capital needs of the public housing inventory and reflects important and substantial improved program efforts discussed below. Efforts to further improve performance are ongoing.

PROGRAM DESCRIPTION AND ACTIVITY

The Quality Housing and Work Responsibility Act (QHWRA) of 1998 authorized the Capital Fund and expands the scope of its predecessor program by consolidating all public housing capital programs (except HOPE VI) and allows greater local flexibility in decisions on major capital initiatives and management improvements undertaken by PHAs. Capital Fund grants may be used to support the following activities: (1) development, financing and modernization of public housing projects; (2) vacancy reduction; (3) deferred maintenance; (4) planned code compliance; (5) management improvements, including those that support resident participation; (6) demolition and replacement; (7) resident relocation; (8) capital expenditures for resident empowerment assistance and self-sufficiency; (9) capital expenditures for security and safety, and (10) homeownership.

In fiscal year 2005, the Department implemented sanctions established in the QHWRA for PHAs that failed to obligate Capital Funds within time limits specified in the Act. The Department reports to Congress quarterly on PHAs' obligations and expenditures. The Department plans to continue monitoring PHAs' obligations and expenditures, and will impose sanctions against PHAs that do not obligate in accordance with statutory deadlines, including withholding grant funds and deducting 1/12th of grant allocations for each month the affected PHAs exceed the statutory deadline. In addition, the Department will recapture funds not expended by the statutory deadline. For example, in 2004, only 11 PHAs incurred sanctions for failing to obligate in a timely manner. As of October 2005, over 98 percent of fiscal year 2002 funds have been obligated by PHAs and over 99 percent of fiscal years 1999-2001 grants have been obligated (the obligation deadline has not expired for 2003 and 2004 grants yet). The Department will continue to focus on implementing regulations that will replace the current regulation found at 24 CFR Part 968, as well as prepare and distribute a new Capital Fund Program Guidebook. The Department will also complete the development of an automated formula distribution system. This system will update the current formula software, develop an on-line system for the Capital Fund as well as make information on the Capital Fund available to PHAs on a web-based system. The system will also convert most of the paper transactions in the current process to an electronic format. PHAs will benefit significantly from this improvement they will receive their formula funds more expeditiously, thus being able to utilize their funds sooner for the betterment of their public housing residents. This system will be consistent with the Department's information technology enterprise architecture that was completed in the fall of 2003.

Public Housing Capital Fund

Pursuant to Sections 9 and 30 of the United States Housing Act of 1937, the Department continues to implement and expand the Capital Fund financing program, which allows PHAs to borrow from banks or issue bonds using their Capital Fund grants as collateral or debt service, subject to annual appropriations. In this way, PHAs are able to leverage the Capital Funds provided by the Department to accelerate improvements that would otherwise be postponed well into the future. To date, HUD has approved 56 transactions in which, a total of 126 PHAs are participating (some of these transactions include pools of multiple PHAs). The total amount of loan and bond financing approved to date is approximately \$2.5 billion. HUD currently has 19 requests pending to borrow another \$88 million.

Public Housing Capital Fund

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Program Offsets
(Dollars in Thousands)

Emergency/Disaster Reserve	<u>Amount</u>
2005 Appropriation	\$29,760
2006 Appropriation/Request	16,830
2007 Request	<u>19,800</u>
Program Improvements/Offsets	+2,970

Proposed Actions

The Department proposes a reserve of \$19.8 million to be maintained in the Capital Fund for emergencies and natural disasters. These funds will make grants to PHAs for emergency capital needs resulting from unforeseen emergencies and natural disasters. The Department requests the flexibility to use these funds and all prior year funds to respond to designated emergencies and natural disasters irregardless of the year of occurrence.

In fiscal year 2005, HUD made funds available to PHAs to address damage from winds due to Hurricane Katrina on August 29, 2005. Subsequently, funds were granted to the following PHAs to meet their emergency and natural disaster needs:

- New Orleans Housing Authority \$21,800
- Biloxi Housing Authority \$7,800
- Parrish Housing Authority \$75

Public Housing Capital Fund

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Program Offsets
(Dollars in Thousands)

Technical Assistance	<u>Amount</u>
2005 Appropriation	\$38,390
2006 Appropriation/Request	10,890
2007 Request	<u>10,890</u>
Program Improvements/Offsets .....	...

Proposed Actions

The Department proposes \$10.8 million for Technical Assistance and Intervention funds in fiscal year 2007. These funds are pursuant to Section 9(h) of the U.S. Housing Act of 1937, as amended (42 U.S.C. 1437g)(the "Act"), and will be used for public housing technical assistance, training, intervention, income integrity and management improvement support. Funds may also be used for the acquisition of contract expertise, training, technical assistance and supportive systems required by the Department to support and enhance the oversight and management of public housing or tenant-based assistance, as authorized by Section 9(h) of the United States Housing Act of 1937. Activities include: inspections and technical assistance for capital programs; random digit dialing; data collection and analysis; training and technical assistance for PHA employees and residents.

Public Housing Capital Fund

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Program Offsets
(Dollars in Thousands)

Resident Opportunities and Supportive Services	<u>Amount</u>
2005 Appropriation	\$53,072
2006 Appropriation/Request	37,620
2007 Request	<u>23,760</u>
Program Improvements/Offsets	-13,860

Proposed Actions

The Department is proposing \$23.7 million for the Resident Opportunities and Self-Sufficiency (ROSS) Program in fiscal year 2007. These funds will be used to provide a connection between the delivery of housing assistance and other services to improve the quality of life for public housing residents.

The ROSS Program, through housing agencies, tribes, tribally designated entities, resident groups, and nonprofit resources is focused on economic self-sufficiency and independent living for the elderly and persons with disabilities. Competitive grants are awarded to fund supportive services activities including: youth mentoring, child care, housing and homeownership counseling, job training and placement, case management, computer training, preventive health education, and life skills training. In fiscal year 2005, HUD awarded more than \$42 million in more than 270 grants to provide services to public housing residents. These funds enabled PHAs to connect residents to services that assist them in moving to self-sufficiency or, in the case of elderly residents, independent living.

The ROSS Program carried close to \$38 million in funds from fiscal year 2005 to fiscal year 2006. The structure of the grants offered has been modified to make grants available to more applicants, eligible activities have been expanded and threshold requirements which caused the unintended consequence of large numbers of failures have been removed. The program office is working with the Grants Management Center to ensure that all qualified applicants will be rated and ranked. Additionally, we are confident that as applicants become more comfortable with the electronic submission process, failures due to technical difficulties will decrease.

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

Administrative Receivership	<u>Amount</u>
2005 Appropriation	\$2,976
2006 Appropriation/Request	8,732
2007 Request	<u>7,920</u>
Program Improvements/Offsets	-812

Proposed Actions

The Department is requesting \$7.9 million to support the costs of administrative and judicial receiverships or other intervention activities. These funds will provide the Department with a source of funds to cover operating and management costs where a court has asserted operational authority over a PHA through a judicial receivership process, or the Department has taken over operational authority of the PHA through an administrative receivership procedure. The activities surrounding receivership or intervention of a PHA cover a wide variety of categories. These activities include a review, reconstruction and audit of the financial accounting and information systems of the PHA. Many times new management must be set in place and the operating structure may have to be reorganized and personnel intensely trained. Procurement actions must be made to support the activities under the receivership team. The average cost of a receivership is estimated at \$1 million per PHA based on the Department's recent experience. This estimate includes staff costs, contractor assistance, or other special technical assistance.

In fiscal year 2005 and subsequent years, field offices and HUD contractors will continue to implement an aggressive compliance monitoring effort focused on the 490 largest PHAs. The Office of Public and Indian Housing (PIH) will initially prioritize Rental Integrity Monitoring (RIM) reviews of approximately 127 PHAs across the country that have corrective action plans as a result of past RIM reviews and will review the remaining 363 PHAs no less frequently than every 5 years. The 490 PHAs that are the focus of on-going RIM reviews receive over 80 percent of HUD's funding, therefore PIH is focusing on them to better target resources and make corrections for those PHAs that pose the biggest financial risk to the Department. All RIM reviews assess PHA performance and/or compliance with HUD rules and regulations, thereby improving PHA accountability in their operation of public and assisted housing programs.

The Public Housing Assessment System program and the Section 8 Management Assessment Program both review PHA performance against measured criteria for the Public Housing and Section 8 Housing Choice Voucher programs respectively. The scores that result comprise 50 percent of a PHAs risk assessment score, which field offices use to develop their annual monitoring plan. As such, field offices analyze the individual indicator scores such as resident satisfaction scores, physical and financial condition scores, management operations indicator, and Housing Choice Voucher performance indicators to determine which PHAs should receive monitoring and what type of monitoring is necessary. This analysis led to the monitoring effort mentioned above.

In fiscal years 2006 and 2007, HUD will continue to build upon this aggressive monitoring approach by conducting follow-up reviews of those PHAs who had RIM reviews and corrective action plans to ensure that corrective action was effectively implemented in addition to their regular annual monitoring effort. In fiscal year 2007, HUD plans to have the Comprehensive Compliance and Monitoring Initiative on-line, which will standardize field office review protocols and provide more automated analysis of PHA compliance with the rules and regulations of the Department. Once this protocol is implemented, field offices will conduct approximately 400 annual comprehensive compliance reviews of PHAs to effectively determine overall PHA compliance with the various HUD regulations and legislative initiatives. Performance reviews of PHAs will also be conducted on a risk-basis in order to continue to measure PHAs' performance.

Public Housing Capital Fund

In fiscal year 2003, HUD assumed possession (administrative receiverships) of two PHAs--Sanford, FL and the Virgin Islands. Both PHAs were found to be in extreme non-compliance with HUD regulations and, as such, HUD intervened to protect the interests of the residents and financial position of the authorities. Once HUD acquired possession, staff was sent to these PHAs' properties to fully analyze operations and implement remedial action. PHAs were found teetering on the edge of insolvency and had failed to provide basic housing services such as renting of units and simple maintenance tasks. Between the two PHAs, over 600 unaddressed exigent health and safety violations have been recorded and since corrected. In essence, the dysfunction had permeated all areas of service and only dramatic action through removal of those charged with the proper stewardship of public trust has had a measurable impact on positive change. HUD also continues its aggressive receivership of the Housing Authority of New Orleans. Technical assistance funds for administrative receivership will be used to procure expert contract services to effectively run dysfunctional PHAs and free HUD staff from their primary oversight responsibilities.

In fiscal years 2006 and 2007, as HUD more fully implements its aggressive monitoring approach and PHAS scores become operational for three consecutive years, more PHAs are going to be found in default or will not have met the statutory requirement for substantial improvement, thereby requiring some sort of HUD receivership action. Successful receivership actions involve the use of highly skilled and technically trained individuals who are knowledgeable in the daily operation of a PHA, and whose skill and expertise can effectuate real change. HUD receivership has resulted in significant improvements in the Camden, NJ and Beaumont, TX housing authorities. HUD has determined that the conditions leading to a determination of substantial default for these agencies no longer exist, and these housing authorities are once again under the control of their respective cities.

Public Housing Capital Fund

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Program Offsets
(Dollars in Thousands)**

Working Capital Fund	<u>Amount</u>
2005 Appropriation	\$10,069
2006 Appropriation/Request	10,890
2007 Request	<u>14,850</u>
Program Improvements/Offsets	+3,960

Proposed Actions

The Department is requesting \$14.8 million, which will be transferred to the Working Capital Fund for the development and maintenance of information technology systems related to public housing. Items and activities to be funded include:

<u>Inventory Management Public and Indian Housing Information Center (PIC)</u> . Support enhancements related to system security, public housing building/units counts and tenant data summary reporting. In addition, implement the Operating Fund new asset management approach and improve security and data integrity.....	\$2,804,880
<u>Compliance and Monitoring</u> . Improve the financial accountability, program management and HUD oversight of programs administered by PHAs, Tribes and Tribally Designated Housing Entities. Specifically, develop modules to support Section 8 voucher usage reporting and PHA compliance management and improve security and data integrity.....	1,312,000
<u>Enterprise Income Verification (EIV)</u> . Implement enhancements to the National Directory of New Hires module of Enterprise Income Verification program. Also, develop and deploy program office income verification back end processes, as well as provide other qualitative improvements and simplify and consolidate system code base. In addition, provide user training and make system architectural improvements as directed by the HUD enterprise architecture and HHS.....	584,240
<u>Resource (Grant) Allocation</u> . Develop and deploy specific requirements related to the Operating Funding new asset management approach. Build integration with new Core Financial System and continue conversion of unique requirements for Capital Fund, Housing Choice Vouchers, and PIH discretionary grants. Also, support Enterprisewide Asset Management Line of business architecture as guided by HUD enterprise architecture and OMB.....	2,237,500
<u>Resident Assessment Sub-System (RASS)</u> . Realign RASS functionalities to accommodate the forthcoming PIH Asset Management effort. Continue conversion to Java platform to be compliant with the HUD Enterprise Architecture/Infrastructure. Also make enhancements to QA analysis module for the sampling, scoring and Reporting functionalities. Improve system security.....	997,000
<u>Customer Assistance Sub-System (CASS)</u> . Consolidate Public and Indian Housing Information center (PIC) and PIH-REAC help desk applications. Make improvements to the helpdesk integration with email and communication with other databases. Implement Single Sign-On functionality.....	189,000

Public Housing Capital Fund

<u>Financial Assessment Sub-System</u> . Public Housing (FASS-PH) - Enhance security throughout the FASS-PH application for consistency and redesign the PHAS Late Presumptive Failure (LPF) process to allow collection of Uniform Financial Reporting Standards data after LPF. Prepare for Project Base Accounting to support asset-based management.....	1,078,800
<u>Management Assessment Sub-system (MASS)</u> . Build administrative management module; move system components towards HUD and government-wide enterprise architecture. Improve security management and system decision support capability.....	998,000
<u>Integrated Assessment Sub-System (NASS)</u> . Redesign and automate the Late Presumptive Failure (LPF) process with regards to invalidations and waivers. Modify the Appeals and Waiver process to update Subsystem's) affected by any changes such as Technical Correction, or Reclassification. Develop and implement the activities associated with the segment architecture as appropriate (Controls and Oversight). Migrate system components towards Enterprise Architecture (EA) directed architecture.....	1,896,000
<u>Physical Inspection Sub-System (PASS)</u> . Customize or modify Physical Inspection software to allow for QA data collection. Design the Inspector Administration decision-making engine to integrate with all components of the PASS system. Redesign vendor training via a Learning Management System. Develop the Inspection Tracking (MyPASS) Portal and improve system security.	1,998,500
<u>Quality Assurance Sub-System (QASS)</u> . Implement the capability to register IPA's by specific states and/or jurisdiction. Add capability to track IPA approvals, denials, removals, and abeyance under proposed IPA Auditor Roster regulation. Implement charting tool used to provide decision support. Support future state technology by migrating to HUD enterprise architecture direction. Provide capability to accept QASS referrals from Lender Assessment.....	215,280
<u>Web Access Security Sub-system (WASS)</u> . Develop new code to replace legacy code in interfaces with FHA Connection and other systems, stored procedures. Complete Phase 2 of Object-Oriented design conversion to JAVA as directed by enterprise architecture. Upgrade/Update databases from Sybase to Oracle. Support e-Government e-Authentication programs by bringing all web based HUD systems into uniform, HUD wide Security system via WASS. Support client systems as necessary for their updates and improvements.....	538,800
Total.....	14,850,000

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Program Offsets
(Dollars in Thousands)

Neighborhood Networks	<u>Amount</u>
2005 Appropriation	\$14,880
2006 Appropriation/Request	7,425
2007 Request	<u>...</u>
Program Improvements/Offsets	-7,425

Proposed Actions

Like 2006, the Department is not proposing any funds for the Neighborhood Networks Initiative Program in fiscal year 2007.

Public Housing Capital Fund

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

Financial and Physical Assessment Support	<u>Amount</u>
2005 Appropriation .....	...
2006 Appropriation/Request .....	...
2007 Request	<u>\$15,345</u>
Program Improvements/Offsets	+15,345

Proposed Actions

Funds are also required to support the ongoing activities of the PIH Real Estate Assessment Center (REAC), which include the inspection, assessment, monitoring and recovery of PHAs. The Department proposes \$15.3 million for Financial and Physical Assessment Support in fiscal year 2007. Financial and Physical Assessment Support is necessary to restore integrity to HUD's housing programs. Its mission is to provide timely and accurate assessment of HUD's real estate portfolio using physical, financial, management and resident satisfaction assessments to the Office of PIH. It also verifies the income of public housing residents to insure that housing subsidies are paid accurately. The assessments performed and data provided renew public confidence in Government by helping make decent, safe and sanitary housing a reality for millions of American families.

Public Housing Capital Fund

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

Program Name: PUBLIC HOUSING CAPITAL FUND					
Program Mission: The Quality Housing and Work Responsibility Act of 1998 authorized the Capital Fund and expands the scope of its predecessor program by consolidating all public housing capital programs (except HOPE VI) and allows greater local flexibility in decisions on major capital initiatives and management improvements undertaken by PHAs. Capital Fund grants may be used to support the following activities: (1) development, financing and modernization of public housing projects; (2) vacancy reduction; (3) deferred maintenance; (4) planned code compliance; (5) management improvements, including those which support resident participation; (6) demolition and replacement; (7) resident relocation; (8) capital expenditures for resident empowerment assistance and self-sufficiency; (9) capital expenditures for drug elimination, security and safety, and (10) homeownership.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2005 Plan	2005 Actual	2006 Plan	2007 Plan
The share of public housing units that meet HUD-established physical standards maintain at 86.5 percent.	Real Estate Assessment Center (REAC) Public Housing Physical Assessment System	85.1%	85.1%	86.5%	86.5%
By fiscal year 2006, the Public Housing Agencies with Resident Opportunity and Self-Sufficiency (ROSS) grants increase by 10 percent the number of public housing residents who receive homeownership support services.	Field Office/ Grantee Reporting	Establish Baseline	Baseline established at 3,363 residents receiving homeownership support services.	10% increase over FY 2005 baseline to 3,699 residents receiving homeownership support services.	10% increase over FY 2006 goal to 4,068 residents receiving homeownership support services.
The proportion of public housing units under management of troubled housing agencies at the beginning of fiscal year 2006 decreases by 15 percent by the end of the fiscal year.	REAC Public Housing Physical Assessment System	15% reduction	33% reduction	15% reduction	15% reduction
Reduce the average number of observed exigent deficiencies per property for substandard public housing properties by 10 percent. a/	REAC Public Housing Physical Assessment System	1.85 observed deficiencies	1.92 observed deficiencies	10% reduction	10% reduction

a/ This goal has been revised; however 2005 measures are provided under the terms of the previous goal.

Explanation of Indicators

Indicator: The share of public housing units that meet HUD-established physical standards increases by 1.5 percentage points to 86.5 percent.

Through the Department's physical assessment process, the PHA is provided information on the physical condition of every property in its inventory. The PHA is also provided an analysis of the most common deficiencies identified with a comparison to the prior inspection so that the PHA can monitor its progress in correcting identified deficiencies. HUD's field office staff uses the information from the physical assessment process in their risk management activities and prioritizes its monitoring and technical assistance to those PHAs that present the greatest risk to the program. In addition to the Department's monitoring efforts, HUD has also spent a great deal of time educating PHAs and owners of properties with assisted units on the physical inspection process and how to remedy identified deficiencies. HUD provides free 3-day training courses for PHAs and owners of properties with assisted units to assist them in identifying capital and ordinary maintenance deficiencies, exigent health and safety deficiencies as well as other deficiencies that affect the quality of life as well as the safety of residents. Through the combination of education and more stringent oversight and enforcement, HUD has been able to improve the correction and/or abatement of housing conditions that impact on the quality of life as well as the safety of residents. HUD conducted 17 training sessions during fiscal year 2005 and has scheduled a maximum of 24 sessions for fiscal year 2006. HUD will continue to offer these sessions during fiscal year 2007 with a minimum of 15 sessions planned. This training has enabled PHAs to focus limited resources on those properties that are experiencing the greatest problems. With the use of technical assistance resources and targeted field office monitoring efforts, the share of public housing units that are operated by troubled agencies that meet HUD-established physical standards will increase by 1.5 percent.

During fiscal year 2005, HUD's field office staff focused their limited resources on those PHAs that had been designated as troubled through the Public Housing Assessment System (PHAS) in an effort to deal with the issues that caused them to receive failing scores. Through timely intervention and long-term recovery strategies, the Department is focusing its resources on those PHAs that need the assistance. As a result, 85.1 percent of public housing units met the HUD-established physical standards. The Department will continue the efforts listed above in fiscal year 2006 and fiscal year 2007 in order to increase the percentage of public housing units, which meet the HUD-established physical standards.

Indicator: By fiscal year 2006, the PHAs with Resident Opportunity and Self-Sufficiency (ROSS) grants increase by 10 percent the number of public housing residents who receive homeownership support services.

This indicator measures the amount of homeownership counseling received by residents in connection with the Resident Opportunity and Self Sufficiency Homeownership Supportive Services grants. The ROSS program, through the Homeownership Supportive Services grant category, provides funds to PHAs, tribes/tribally designated housing entities, and qualified nonprofit organizations to deliver homeownership training, counseling, and other supportive services to residents of public and Indian housing. The Homeownership Supportive Services grants are designed to build upon other self-sufficiency efforts by providing supportive services to participating residents to support them transitioning from rental housing to homeownership. This indicator reflects the President's Management Agenda (PMA) commitment to increase homeownership opportunities and, specifically, to help HUD-assisted renters to become homeowners. The Department will work to achieve the goal to increase by 10 percent the number of public housing residents who receive homeownership supportive services through outreach to grantees and field office monitoring, in accordance with the grant agreements.

As of the end of fiscal year 2005, data was collected by the program office that establishes the baseline for this goal as 3,363 residents. The program office collected the data through communication with the field offices and grantees. Accordingly, grant activity occurring during fiscal years 2006, 2007 and future years will be measured against this baseline.

Indicator: The proportion of public housing units under management of troubled housing agencies at the beginning of fiscal year 2006 decreases by 15 percent by the end of the fiscal year.

PIH and the Real Estate Assessment Center use the Public Housing Assessment System to evaluate the performance of PHAs based on four categories: physical condition, management operations, financial condition, and resident satisfaction. Housing agencies with composite scores below 60 percent, or scores below 18 percent in any one component, are classified as "substandard" or "troubled." This indicator tracks the change in the number of units managed by "troubled" agencies at the beginning of the fiscal year that successfully return to "standard" status by the end of the fiscal year due to intervention by the Department.

During fiscal year 2005, the number of units managed by "troubled" housing authorities was reduced by 33 percent, exceeding the 15 percent target. On October 1, 2004, 136 PHAs, containing 66,424 low-rent units, were assigned to the PIH field offices. By September 30, 2005, 21,936 of those units were no longer troubled after receiving assistance from the PIH Field Office's and the Recovery and Prevention Corp (RPC). The PIH Office of Field Operations continues to provide effective monitoring of the field offices' troubled portfolio and quick intervention to recover troubled PHAs.

To calculate the percent of troubled housing units that are no longer managed by troubled agencies, the Department collects and analyzes the September 2004 and September 2005 troubled lists. The Troubled list is a monthly document that reports the status of troubled PHAs. Public Housing Agencies will remain on the Troubled list until the housing authority receives a passing Public Housing Assessment System score—i.e. recovered. For purposes of this analysis, the Department only examines data related to low-rent units. To identify changes to the number of low-rent units under the management of troubled PHAs, the September 2004 Troubled list served as the control group for measuring variation in the Troubled portfolio. Because Public Housing Assessment System scores are released on a daily basis it is necessary to establish a control group to assess changes in the scores/designations. To determine the rate at which field offices were recovering troubled agencies for fiscal year 2005, the Department tracked the number of PHAs that were added or removed from the troubled list. The Department then compared the number of PHAs that were listed on the September 2004 report to the number of PHAs that are shown on the September 2005 list. Those PHAs that were not reported on the September 30 list are considered recovered. The number of units managed by the recovered PHAs was used to calculate the percentage decrease in units managed by troubled agencies. The analysis only represents a "snap-shot" of the Department's ability to assist troubled PHAs. Because of reporting delays, appeals, or quality assurance reviews, PHA scores are not always released in a timely fashion. Because of these fluctuations in the release or changes to the scores, this analysis only reflects variations between scores and units of the control group (September 2004 Troubled List) and the PHAs that were deemed troubled as of September 30, 2005.

In fiscal years 2006 and 2007, the Office of Field Operations will continue to coordinate and support the recovery of troubled PHAs. It is anticipated that the positive downward trend in the number of units managed by troubled housing agencies will continue and that the annual goal will be achieved or exceeded again during each of these fiscal years. However, the required long-term recovery anticipated by PHAs impacted by Hurricanes Katrina and Rita may have a slight negative affect on the overall percentage achieved impacting the ability to achieve the fiscal year 2007 goal reduction in comparison to fiscal years 2005 and 2006.

Indicator: Reduce the average number of observed exigent deficiencies per property for substandard public housing properties by 10 percent.

The Real Estate Assessment Center conducts physical inspections that identify exigent health and safety or fire safety deficiencies. 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 exigent health and safety or fire safety deficiencies for this measure because they are covered in Indicator C.4.2.)

This indicator measures the reductions in exigent health and safety or fire safety deficiencies nationwide as HUD applies its physical inspection protocol, Uniform Property Condition Standards, to properties inspected. The use of physical inspections by the Real Estate

Public Housing Capital Fund

Assessment Center has effected a reduction in exigent health and safety hazards. This trend is likely to continue. However, this indicator was based on identification of such conditions when inspected. In prior years, the Department focused on the reductions in EHS/FS on an overall basis. Due to scarce monitoring resources, the Department is shifting its focus to reduce the defects on the worse case properties. The goal is being revised to reflect this shift in focus by tracking exigent deficiencies percentages for properties with a PASS score of less than 60. For fiscal year 2004 the average defects for public housing properties were 5.78.

The average number of exigent health and safety or fire safety deficiencies for public housing was 1.92 for fiscal year 2005 versus a goal of 1.85 and thus this goal was not accomplished. Notwithstanding the overall result, substantial progress was made on sectors of the population. PIH generally has targeted its limited monitoring resources on PHAs with the highest error rates. For example, for PHAs with scores of 0 to 59 (substandard), the current inspection yielded 6.10 defects per property while the previous inspection found 7.56 defects per property (an improvement of 19.3 percent). For the PHAs with scores of 60-89, a 9.1 percent improvement was experienced.

Conversely, the highest scoring PHAs (90-100) currently had 1.00 defects per property versus 0.35 previously. Although this group's results worsened significantly, the overall error rate was still very low. Under the "3-2-1 Rule" that took effect in August 2000, inspections of multifamily developments occur at longer intervals of 2 or 3 years if their scores are high enough in the first year. Accordingly, not all properties or units are reflected in the percent with EHS/FS and there may be a distortion of the data since poorer properties are inspected more frequently. Therefore, this goal has been revised to provide a better indicator of performance in the area of exigent deficiencies reductions and shift focus to reduce the defects on the worse case properties.

Data for this indicator are from the Real Estate Assessment Center's Physical Assessment Subsystem, based on the inspection protocol and electronically coded and transmitted results of independent physical inspections of units, buildings, and sites. The data represent inspections conducted through September 30 of each year. A number of properties do not receive new inspections every year if their scores pass the thresholds under the "2-1" inspection schedule for public housing. Unit-level data is estimated on the basis of project-level sample observations, extrapolated to the universe of all units. Owners and managers validate Exigent Health and Safety Report contents by acknowledging receipt at the time of inspection and reporting corrective actions. In addition, REAC re-inspects units and properties on a sample basis for quality assurance.

In fiscal years 2006 and 2007, the Department will continue to pursue its goal to further reduce observed exigent deficiencies by 10 percent at the worst-case properties, thereby improving the quality of available housing units.

Efficiency Measure: The Department has developed an efficiency measure for this program area based on both the number of capital and operating fund dollars compare to the number of occupied units in public housing.

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

The 2007 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 the Public Housing Capital Fund Program to carry out capital and management activities for public housing agencies, as authorized under section 9 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437g) (the ``Act'') [~~\$2,463,600,000~~] \$2,178,000,000, to remain available until September 30, [2009] 2010: *Provided*, That notwithstanding any other provision of law or regulation, during fiscal year [2006] 2007, the Secretary may not delegate to any Department official other than the Deputy Secretary and the Assistant Secretary for Public and Indian Housing any authority under paragraph (2) of section 9(j) regarding the extension of the time periods under such section: *Provided further*, That for purposes of such section 9(j), the term ``obligate'' means, with respect to amounts, that the amounts are subject to a binding agreement that will result in outlays, immediately or in the future: *Provided further*, That of the total amount provided under this heading, up to [\$11,000,000] \$10,890,000 shall be for carrying out activities under section 9(h) of such Act: *Provided further*, That [\$11,000,000] up to \$14,850,000 shall be transferred to the Working Capital Fund: *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: *Provided further*, That of the total amount provided under this heading, up to [\$17,000,000] \$19,800,000 shall be available for the Secretary of Housing and Urban Development to make grants, notwithstanding section 305 of this Act, to public housing agencies for emergency capital needs resulting from unforeseen or unpreventable emergencies and natural disasters occurring in fiscal year 2005, 2006, and 2007: *Provided further*, That of the total amount provided under this heading, [\$38,000,000] \$23,760,000 shall be for supportive services, service coordinators and congregate services as authorized by section 34 of the Act and the Native American Housing Assistance and Self-Determination Act of 1996: *Provided further*, That of the total amount provided under this heading up to [\$8,820,000] \$7,920,000 is to support the costs of administrative and judicial receiverships: [*Provided further*, That of the total amount provided under this heading, \$7,500,000 shall be for Neighborhood Networks grants for activities authorized in section 9(d)(1)(E) of the United States Housing Act of 1937, as amended: *Provided further*, That notwithstanding any other provision of law, amounts made available in the previous proviso shall be awarded to public housing agencies on a competitive basis: *Provided further*, That notwithstanding section 9(d)(1)(E) of the United States Housing Act of 1937, any Neighborhood Networks computer center established with funding made available under this heading in this or any other Act, shall be available for use by residents of public housing and residents of other housing assisted with funding made available under this title in this Act or any other Act] *Provided further*, That of the total amount provided under this heading up to up to \$15,345,000 shall be to support the ongoing Public Housing Financial and Physical Assessment activities of the Real Estate Assessment Center (REAC). (Department of Housing and Urban Development Appropriations Act, 2006.)

Explanation of Changes

Alters language related to emergencies and natural disasters to give the Department flexibility to provide grants to repair damage attributable to prior years but not recognized by the Department until 2007.

Adds language providing \$15,485,000 for the Financial and Physical Assessment Support.

Public Housing Capital Fund

PUBLIC AND INDIAN HOUSING
 PUBLIC HOUSING CAPITAL FUND
 Crosswalk of 2005 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2005 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2005 Resources</u>
Formula Grants	\$2,449,650	-\$19,597	...	...	\$76,930	\$2,506,983
Emergency/Disaster Reserve	30,000	-240	...	...	65,264	95,024
Technical Assistance	38,700	-310	...	...	67,662	106,052
Resident Opportunities and Supportive Services	53,500	-428	...	...	66,871	119,943
Administrative Receivership	3,000	-24	...	...	...	2,976
Working Capital Fund	10,150	-81	...	...	...	10,069
Neighborhood Networks	15,000	-120	...	...	23,159	38,039
Financial and Physical Assessment Support .....	...	...	...	...	...	...
Total	2,600,000	-20,800	...	...	299,886 ^{a/}	2,879,086

a/ Includes \$13.1 million in recaptures.

Public Housing Capital Fund

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Crosswalk of 2006 Changes
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2006 President's Budget Request</u>	<u>Congressional Appropriations Action on 2006 Request</u>	<u>2006 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2006 Resources</u>
Formula Grants	\$2,253,150	\$2,370,280	-\$23,703	...	\$72,073	\$2,418,650
Emergency/Disaster Reserve	17,000	17,000	-170	...	54,698	71,528
Technical Assistance	11,000	11,000	-110	...	65,961	76,851
Resident Opportunities and Supportive Services	24,000	38,000	-380	...	92,819	130,439
Administrative Receivership	8,820	8,820	-88	...	2,976	11,708
Working Capital Fund	13,230	11,000	-110	...	...	10,890
Neighborhood Networks .....	...	7,500	-75	...	33,475	40,900
Financial and Physical Assessment Support .....	...	...	...	...	...	...
Total	2,327,200	2,463,600	-24,636	...	322,002 ^{a/}	2,760,966

a/ Excludes \$16.6 million in expired funds.