

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Public and Indian Housing

Public Housing Fund

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carry over	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2021 Appropriation	7,806,000	(119,000)	-	7,687,000	7,150,545	3,573,000
2022 Annualized CR	7,806,000	451,065	-	8,257,065	7,721,000	5,743,000
2023 President's Budget	8,780,000	441,000	-	9,221,000	8,694,000	6,902,000
Change from 2022	974,000	(10,065)	-	963,935	973,000	1,159,000

a/ Carryover into 2021 is shown net \$119 million transferred for subsidy payments for units converting under the Rental Assistance Demonstration (RAD)

b/ Carryover for 2022 is shown net of \$85 million estimated to be transferred for RAD.

c/ Carryover for 2023 includes an estimated \$536 million of unobligated balances and the estimated projected transfers of \$86 million for RAD and \$9 million for the IT Fund.

PROGRAM PURPOSE

The Public Housing Fund supports the Public Housing program by providing Federal grants necessary for Public Housing Agencies (PHAs) to operate, maintain, and make capital improvements to approximately 935,000 affordable public housing units which house over 1.7 million residents. The public housing stock serves an important role in the Nation's housing market by providing housing for some of the most vulnerable families. Local administration of Federal grant funds allows communities the flexibility to tailor public housing to suit local needs, including establishing admission preferences for the elderly, disabled, and homeless persons, as well as the working poor.

BUDGET OVERVIEW

The 2023 President's Budget requests \$8.8 billion for the Public Housing Fund, which is \$974 million more than the 2022 annualized CR level. The Budget supports the following activities:

- \$8.2 billion for Public Housing Fund grants, of which \$5.0 billion is distributed based on the Public Housing Operating Fund formula and \$3.2 billion is distributed based on the Public Housing Capital Fund formula;
- \$60 million for Housing Health Hazards;
- \$25 million for Lead-Based Paint Hazards;
- \$20 million for Emergency and Disaster grants;
- \$20 million for Safety and Security grants;
- \$45 million for Receivership, Troubled and High-Risk PHAs;
- \$25 million for Operating Shortfall Prevention;
- \$50 million for Financial and Physical Assessment Support; and
- \$300 million for energy efficiency and climate resilience, of which \$276 million is intended for the Public Housing Rapid Return Utility Conservation and Climate Resilience Program and \$24 million to promote and implement utilities benchmarking across the public housing portfolio.

As part of the Administration's whole-of-government approach to the climate crisis, HUD's Budget includes \$1.065 million to assist communities to reduce carbon pollution, increase resilience to the impact of climate change, and deliver environmental justice. The National Climate Assessment has

shown that climate change disproportionately impacts low-income communities, the very communities served by HUD programs. The Budget addresses climate change on two fronts: lowering the carbon footprint of the 4.5 million units of public and assisted housing (mitigation), and helping the communities served by HUD programs to better withstand and increase their resilience to future disasters (adaptation). These investments are crucial to help communities mitigate and prepare for the worst effects of climate change. Please see the “Climate Overview” justification for more details.

Housing-related challenges can trigger significant mental health distress. Training and technical assistance resources available in this account will be used to support HUD’s department-wide effort to reduce the impacts of housing-related challenges on mental and emotional well-being and improve the experience of the Department’s customers. HUD will coordinate validated, evidence-based training for front-line housing professionals on the signs and symptoms of emotional distress and mental health challenges. This training will help housing professionals connect customers who are experiencing emotional distress with appropriate local resources.

JUSTIFICATION

The Public Housing Fund provides payments to nearly 3,000 PHAs for the operation, management, maintenance, and capital needs of publicly owned affordable rental housing throughout the United States and its territories. The Public Housing Fund is allocated as grants to support operations awarded pursuant to Section 9(e) of the United States Housing Act of 1937 and grants to support capital needs awarded pursuant to Section 9(d) of the Act.

The Public Housing program is a vital part of the Nation’s critical infrastructure. Operating housing and investing in modernization are demonstrated economic generators. Additionally, through investments in energy conservation and climate resilience measures – both through regular modernization activities and through energy incentives, like energy performance contracts and rate reduction incentives – the program supports the goal of reducing the Nation’s reliance on fossil fuels and serves to reduce HUD’s carbon footprint. Investing in public housing is also crucial to reversing the negative impacts of racism and discrimination in access to quality, affordable housing. Black, Latino, Native American, and Asian families make up over two-thirds of people living in public housing. Eliminating health hazards like lead and mold, improving heating and cooling systems, and upgrading building amenities like elevators and broadband access are essential to giving households a stronger foundation for their health, education, and employment success. Finally, through regular capital investments, ongoing maintenance efforts, and strategic funding available through targeted set-asides, the Public Housing program serves to ensure that HUD and PHAs are meeting the important goal of providing a healthy and safe living environment to the families living in public housing.

The Public Housing program has long been vital to the Federal housing safety net, and it has been especially important as the COVID-19 pandemic exacerbated the lack of stable affordable rental housing. The Public Housing Fund enables the preservation of housing for low- and extremely low-income families who cannot afford housing on the private rental market. For these families, public housing offers an affordable, stable platform to access other resources and supports to improve economic and social mobility.

Grants Awarded for Operations

Public Housing grants are the only dedicated Federal resource available to PHAs to operate and maintain the Nation’s public housing stock. PHA eligibility for an operating grant is based on the Operating Fund formula established through negotiated rulemaking in 2007 and codified at 24 CFR

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990. This funding covers day-to-day operational expenses associated with public housing and program implementation expenses that PHAs are required to undertake under Section 9(e) of the U.S. Housing Act of 1937 and existing program regulations.

These expenses include, but are not limited to:

Public Housing Operation:

- Management and operations, including staff costs;
- Operating costs for privately owned public housing units in mixed finance projects;
- Routine and preventative maintenance;
- Anti-crime, anti-drug, and security activities;
- Utilities costs;
- Resident supportive services, support coordinators, and participation activities; and Insurance.

Public Housing Program Implementation:

- Recertifications of income and household composition;
- Timely rent collection;
- Submission of annual unaudited and audited financial statements to HUD;
- Asset management over the physical and financial integrity of the program;
- Annual unit inspections;
- Planning for the long-term capital needs to maintain the viability of PHA properties; and
- Debt service incurred to finance unit rehabilitation and development.

The Budget proposes operating grants in the amount of \$5.0 billion. Funding at this level is projected to be sufficient to cover 100 percent of public housing operating expenses.

2023 OPERATING FUND ELIGIBILITY (Dollars in Thousands)			
Description	Actual FY 2021	Estimate FY 2022	Estimate FY 2023
1 Non-Utility Expense Level (PEL)	\$5,230,829	\$5,326,705	\$5,331,665
2 Utilities	\$1,484,643	\$1,523,778	\$1,510,462
3 Less: Tenant Income	-\$2,830,858	-\$2,874,417	-\$2,884,724
4 Public Housing Operating Fund Base (line 1-3)	\$3,884,613	\$3,976,066	\$3,957,403
5 MTW Alternative Formula Grant, PHA's not in Base	\$519,631	\$531,172	\$542,969
6 Public Housing Add-ons	0	0	0
7 Elderly/Disabled Coordinators	\$15,520	\$15,991	\$16,388
8 Resident Participation	\$21,516	\$21,262	\$20,766
9 Energy-Add On for Loan Amortization	\$40,903	\$42,147	\$43,192
10 Payments in Lieu of Taxes	\$166,956	\$172,032	\$176,298
11 Cost of Independent Audit	\$24,641	\$25,390	\$26,019
12 Asset Management Fee	\$32,487	\$32,104	\$31,356
13 Information Technology Fee	\$22,139	\$21,877	\$21,368
14 Asset Repositioning Fee	\$64,230	\$66,183	\$67,824
15 Mutual Help and Turnkey Units	\$7	\$7	\$7

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16	Estimated Appeals	\$10,000	\$10,000	\$10,000
17	Stop Loss	\$125,755	\$124,270	\$121,376
18	Subtotal: Operating Fund Base (line 4-19)	\$4,928,397	\$5,038,500	\$5,034,967

Information Technology – Operating Fund Portal

HUD continues to make progress towards modernizing its Information Technology (IT) systems to improve the administration of Public Housing programs. In coordination with the Office of the Chief Information Officer (OCIO), PIH is continuing to develop new functionality within the Operating Fund Portal (OpFund Portal), which will help reduce the administrative burden on PHAs when requesting Operating Funds and HUD processing of these requests and calculation of Operating Fund grants. Specifically, PIH IT modernization funding provided in the Consolidated Appropriations Act, 2021 (the 2021 Appropriations Act) for the OpFund Portal will enable the automation of the pre-population of Operating Fund requests and the submission and review of these requests, ultimately replacing approximately 14,000 manual Operating Fund forms each year. The Operating Fund Portal also substantially automates many other aspects of the funding process for both PHAs and HUD.

Grants Awarded for Capital Needs

Public Housing grants are the primary source of funding for public housing rehabilitation and development. The Budget provides \$3.2 billion for grants to be awarded pursuant to the Capital Fund Formula enumerated at 24 CFR 905.400. This proposed amount represents a 16 percent increase above the 2022 annualized CR level and approaches the estimated level (as of 2010) required to satisfy the annual accrual amount.

Eligible uses of capital grants include, but are not limited to:

- Addressing deferred maintenance needs;
- Development, financing, and rehabilitation activities;
- Vacancy reduction;
- Resident relocation;
- Programs supporting economic self-sufficiency of public housing residents;
- Resident security and safety activities;
- Homeownership activities;
- Integrated utility management and energy saving measures; and
- Debt service.

The most recent portfolio-wide Capital Needs Assessment (CNA), completed in 2010, estimated the backlog of unmet public housing capital need at approximately \$26 billion. The projected annual accrual of needs across the inventory was estimated to be at least \$3.4 billion per year on average at that time. Since the 2010 study, the Public Housing Capital Fund grant program has not been funded at the annual accrual need estimated in 2010, much less the increased need caused by inflation in construction and modernization costs over time. Although the public housing inventory has been reduced and many units have been rehabilitated since 2010, the financial impact of inflation and deferred capital investment in the public housing inventory are substantially greater than any decrease in need associated with the units that have left the inventory or have since been revitalized. HUD is currently engaging with a contractor on a portfolio-wide study that assesses (1) the usefulness of underlying capital needs data available to HUD and PHAs; (2) how PHAs estimate capital needs and best practices employed in doing so; and (3) estimates the nationwide capital needs of public housing, while recommending future estimation methods.

Public Housing grants remain essential to achieving HUD's goals related to improving the quality of public housing, increasing occupancy in public housing, decreasing energy costs, and maximizing Federal resources.

- Improving the quality of Public Housing. More than half of the Nation's public housing stock was constructed prior to 1970, some as early as 1936. As a result, these units require significant rehabilitation work to bring them into a condition that is safe, decent, and sustainable.
- Increasing occupancy in Public Housing. The occupancy of public housing units has decreased to 94 percent, and HUD's goal is to improve upon that occupancy rate to 96 percent by the end of 2022. HUD is focused on the challenge of preserving the availability of quality affordable rental housing in order to provide necessary housing for low-income families to improve their lives, preventing homelessness and reducing worst-case housing needs.
- Investing in Public Housing. Investing in public housing addresses racial inequities, as over two-thirds of public housing residents are people of color. The Budget proposes historic investments that will reduce carbon emissions and increase the climate resilience of the public housing stock, while improving indoor air quality and creating healthier and safer homes for the families that live there.
- Decreasing utility consumption and costs. As part of the Administration's whole-of-government approach to address the climate crisis, the Department is improving utility conservation options through targeted set-asides to support investments in energy conservation measures and utilities benchmarking activities. Public Housing grants provide PHAs with the necessary resources to increase utility conservation as they modernize their inventory.
- Addressing Capital Needs. Given the current Federal fiscal environment, PHAs must leverage outside investment, since they cannot meet their needs by using only Federal funds. The Rental Assistance Demonstration (RAD) and the Capital Fund Financing Program (CFFP) help achieve this goal. Since its inception in 2012, the RAD program has converted approximately 157,000 public housing units while generating over \$14 billion in resources to meet modernization needs for the converted units. HUD has approved approximately 196 transactions involving 253 PHAs through the CFFP. The total amount of loan and bond financing approved to date is approximately \$4.7 billion since the CFFP program's inception in 1999. The CFFP has evolved such that PHAs are further leveraging their Capital Fund dollars by utilizing the CFFP to obtain Low-Income Housing Tax Credits. Approximately \$2.5 billion worth of tax credits have been leveraged using CFFP funds.

The Department will continue to use its statutory authority under the Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55) to transfer amounts from the 2023 Operating and Capital Fund appropriations to the Tenant-Based Rental Assistance (TBRA) and Project-Based Rental Assistance (PBRA) accounts to fund renewal costs for public housing units converting under RAD in calendar year 2022.

Public Housing Grants for Housing Health Hazards

The Budget proposes \$60 million in funding to PHAs for competitive grants to help PHAs identify and eliminate housing-related hazards in public housing, such as mold, carbon monoxide, pest infestation, radon, and other housing hazards. The Department intends to prioritize funding requests to enhance fire safety, including the funding of fire suppression systems such as fire sprinkler systems for multifamily buildings. Improving the environmental conditions and safety of public housing are environmental justice priorities as they improve residents' health and safety. While many of these deficiencies are identified by the Real Estate Assessment Center (REAC) in physical needs assessments, PHAs would benefit from dedicated funds for evaluation and mitigation. Evaluations will include comprehensive assessments of fire hazards, moisture intrusion, ventilation,

and other structural defects that can contribute to unhealthy or unsafe conditions. These repairs can help reduce allergies and asthma exacerbation in residents, especially children, and help prevent injury and death.

Public Housing Grants for Lead-Based Paint Hazards

The Budget includes \$25 million to support competitive grant funding to address health hazards from lead-based paint in public housing units. Funding for the determination and remediation of health hazards related to lead-based paint remains a critical need. Most public housing units were constructed prior to 1978 and have extensive potential for lead-based painted surfaces. These grants are a successful tool to advance the health and welfare of public housing residents nationwide, particularly for children under the age of six who are most at risk of suffering the devastating effects of lead poisoning.

Public Housing Grants for Emergencies and Natural Disasters

The Budget includes up to \$20 million for grants to PHAs for capital needs arising from emergency situations or non-Presidentially-declared natural disasters. (PHAs whose properties suffer damage because of Presidentially-declared natural disasters are eligible to receive funding from the Federal Emergency Management Agency, or FEMA, under the Robert T. Stafford Relief Act.) Examples of capital needs funded under grants for non-Presidentially-declared disasters and other emergencies include plumbing replacement, sewer line replacement, foundation stabilization, heating, ventilation, and air conditioning (HVAC) replacement, fire alarm replacement, flood abatement, mold removal/repairs, boiler pipe replacement, and emergency window replacement.

Public Housing Grants for Safety and Security Needs

The Budget proposes \$20 million for grants to PHAs to address crime and drug-related activity to provide for the safety of public housing residents. The grants for emergency safety and security needs are used to install, repair, or replace capital needs items, including security systems, surveillance cameras, fencing, lighting systems, emergency alarm systems, window bars, deadbolt locks, and doors. The purchase and installation of carbon monoxide detectors may, also, continue to be an eligible activity, depending on determination of outstanding need.

Prevention, Recovery and Transformation of High Risk PHAs

The Budget proposes \$45 million to support high-risk PHAs, specifically including PHAs in receivership or under the control of a Federal monitor, through the following:

- Activities related to recovery from and prevention of receivership. This includes costs associated with recapitalization, transformation, and preservation of affordable housing assets for troubled and high-risk PHAs, including any PHA under control of a Federal monitor. Funding will be used to address deteriorated physical conditions, which can help preserve affordable housing and prevent high risk and troubled PHAs from being placed into receiverships.
- Activities related to technical assistance and administrative costs that enable HUD and PHAs to build capacity, conduct assessments, and develop recapitalization strategies for PHAs whose deep capital needs pose financial and operational risks to the Agency.

During any given year, performance scoring under the Public Housing Assessment System (PHAS) identifies over 500 troubled and substandard PHAs. Further, as evidenced by REAC financial and physical data, there are approximately 207,000 units across 658 developments in poor physical

condition where the PHA does not have resources to address physical needs. The data, also, identifies 123,000 units across 663 developments with a limited remaining useful life with failing or trending to failing physical scores.

To address the collective needs of these agencies, HUD has undertaken a concerted effort to work with PHAs to evaluate the on-the-ground challenges, provide technical assistance to PHAs to focus capital investments, and address operational inefficiencies since 2019.

Public Housing Operating Shortfall Funding

The Budget proposes \$25 million for Public Housing Operating Shortfall funding. Funding awarded for operational shortfalls enables HUD to provide targeted assistance to agencies with short-term operational challenges. HUD requires PHAs receiving these funds to take corrective actions to remedy the causes of PHA shortfalls and to address such causes on a case-by-case basis. Through this process, HUD can evaluate whether additional long-term policy changes are necessary for the PHA.

Some PHAs have been found to have financial management challenges and face insolvency. These PHAs were assisted by a \$25 million insolvency/shortfall program in both 2020 and 2021. The program provides PHAs with funding to support improvements in financial management and solvency. In 2020, 219 PHAs were eligible with \$112 million in eligibility, and the funding assisted 138 PHAs. In 2021, 167 PHAs were eligible with \$143 million in eligibility, and the funding assisted 129 PHAs.

Since the program's inception, the Department has seen improvement in the financial health and stability of the PHAs participating in the Shortfall program. For the 2020 and 2021 Shortfall programs, PHAs were required to achieve and maintain an operating reserve balance of one month of expenses or better on their subsequent financial statements to access funds. As of January 2022 reporting, approximately half of the PHAs that received Shortfall funding in 2020 have met this goal. Furthermore, these PHAs have collectively improved their financial position by increasing their operating reserves by 50 percent since entering the program.

In 2022, HUD plans to implement improved oversight and support for PHAs receiving Shortfall funding. As part of this effort, PHAs will be required to submit formal corrective action plans and approved annual budgets. The corrective action plans will require PHAs to identify areas for improvement and commit to certain timeframes. HUD will provide necessary technical support to PHAs to increase the likelihood of success in meeting those goals.

Financial and Physical Assessment

The Budget proposes \$50 million for Financial and Physical Assessments, which includes the financial reviews and physical inspections of public housing necessary to identify performance risk and to issue Public Housing Assessment System (PHAS) scores. Assessing housing health risks is critical to additional actions aimed at health equity and environmental justice for public housing residents, including hundreds of thousands of children. If these risks are not assessed, our most vulnerable populations will remain at critical, and unknown, risk of acute illness, long-term disability, or even death. This funding level reflects the increase in the number of physical inspections performed on public housing properties during REAC's transition from legacy to new standards; from the Uniform Physical Condition Standards (UPCS) for legacy PHAS scoring to National Standards for the Physical Inspection of Real Estate program (NSPIRE).

As the Department transitions to the new NSPIRE standards in 2023, this funding together with PIH IT modernization funds provided in the Consolidated Appropriations Act, 2021 supports the

NSPIRE Information Technology solution. It provides the necessary collection and improved technology capabilities required to receive, process, analyze, and manage a larger volume of data and information from all types of inspections (e.g., REAC-conducted inspections, self-inspections) and resident surveys. It includes the development of a substantially improved inspection program, including all operations at a more enhanced scale than possible under the legacy operating model. Implementing NSPIRE by the end of 2023 is one of HUD's strategic plan priorities to improve rental assistance, and this funding will be instrumental in achieving this goal. This funding, also, includes new specialized assessments and the continuation of an operational pilot for the collection of information about environmental hazards in public housing, such as lead, mold, pest infestation, and radon (in coordination with the Office of Lead Hazard Control and Healthy Homes) at approximately 1,000 properties.

As required by the 21st Century Integrated Digital Experience Act and the recent Executive Order 14058 on Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government, and in furtherance of HUD's goal of advancing sustainable communities, this funding level allows for continued development of a new set of performance and risk indicators for public housing based in sound evidentiary principles. These indicators are also aligned with our voucher program inspections. A revised assessment program will help to improve the way HUD works by using digital and human-centered design principles to transform business processes and the supporting technology infrastructure REAC utilizes to perform and deliver assessments. The following IT efforts comprise the Department's multi-pronged enhancement strategy to achieve these goals:

- NSPIRE: Using 2021 PIH IT Modernization funds approved in HUD's 2021 PIH IT Performance Plan, PIH and its partner, OCIO, are developing a new system, the NSPIRE IT solution, which will automate the entire inspection lifecycle, including the prioritization, scheduling, inspection data collection (e.g., recording of deficiencies), remediation tracking and accountability, enforcement, and reporting among other functions. During December 2021, PIH has already deployed the first component of the NSPIRE IT solution to successfully perform NSPIRE Demonstration inspections in approximately 60 days after development started, in fact achieving the inspection collection capability as planned.
- IMS-PIC Modernization: IMS-PIC is the bedrock system for all PIH programs, including Tenant-Based Rental Assistance, Public Housing Operating Fund grants, and Public Housing Capital Fund grants, as it includes the baseline information for all families participating in PIH programs (household data) and all public housing assets (inventory data). IMS-PIC inventory data is also used for HUD's physical inspection program and Public Housing assessments. Following the deployment of the Enterprise Voucher Management System, all PIH rental assistance programs will use IMS-PIC household data for the calculation of annual funding. Like many PIH systems, IMS-PIC was built a little over 3 decades ago and uses outdated technology that is costly to maintain and vulnerable to performance and security risks. Like many PIH systems, IMS-PIC was built over three decades ago and uses outdated technology that is costly to maintain and vulnerable to performance and security risks. PIH and OCIO have been developing a replacement for IMS-PIC, approved as part of the 2021 PIH IT Performance Plan, that will replace all aspects of IMS-PIC and add several new functions supporting PIH programs, including data collection for Moving to Work (MTW) Expansion and HOTMA implementation; and functionality to support ONAP's Tribal HUD VASH program.
- PIH Data Warehouse Modernization: The PIH Data Warehouse is the repository and data architecture for all PIH programs and has substantially exceeded its useful life, requiring substantial operations and maintenance and regular hardware/performance enhancements to maintain its ability to operate. In order to support its rental assistance programs and grants moving forward, PIH and OCIO are developing a new PIH Data Warehouse to support its

programmatic data needs, including analytics, risk analysis and reporting. The new PIH Data Warehouse is essential for supporting its other PIH IT modernization efforts that require a new data architecture to effectively manage and organize PIH data to evaluate the efficacy of how these programs support several million households and approximately 7,000 assets.

- **PHAS Modernization:** OCIO requested funding in its 2022 Budget to modernize the technology supporting PIH's Public Housing Assessment System (PHAS). This technology would specifically enable an enhanced view of public housing performance and complementary data analytics to forecast/predict performance trends that could be used to prevent and respond to troubled housing and provide greater insight and transparency in the overall performance and risk of the public housing portfolio.

Public Housing Energy and Water Conservation

PHAs use operating grants to pay for ongoing utilities costs, including energy and water incentive programs, and are authorized/encouraged to use capital grants to make investments in energy conservations measures. HUD spends about \$2 billion in utilities through utilities subsidies and energy and water conservation incentive programs, such as the decades-old Energy Performance Contract (EPC) program, the Rate Reduction Incentive, and the newly implemented Small Rural Frozen Rolling Base (SRFRB) program focused the small, rural PHAs. The incentive programs provide financial inducements for PHAs to implement energy and water conservation measures that reduce utility costs, improve infrastructure, reduce carbon emissions, conserve water, and bolster other climate resilience initiatives. In 2021, 80 percent of these incentives supported implementation of energy and water conservation measures, such as efficient lighting, water fixtures, and solar energy. These programs have been used by a limited number of PHAs, and various market factors and available resources have created barriers to usage by more PHAs. The remaining 20 percent promoted PHA utility rate reduction efforts, which lower utility costs that contribute to the \$2 billion cost of Public Housing utilities. A part of that \$2 billion utility cost, in addition to the \$1.5 billion in utility subsidy, is \$500 million in resident utility allowances. This budget requests resources to reduce public housing utilities usage and costs, and to support more informed decision-making by PHAs when investing in their portfolios.

Climate Resilience and Energy Efficiency

As part of the Administration's whole-of-government approach to the climate crisis, the Department is committed to cost-effective, energy efficient, green, and healthy retrofits of HUD-supported affordable housing. The Budget includes a total of \$300 million in the Public Housing Fund that will be used to achieve these goals through targeted investments for public housing to further support energy efficient housing construction and environmentally sensitive and resilient design. Further, a portion of this funding will be used for pursuing energy benchmarking across the Public Housing portfolio. The table below illustrates the breakout:

Climate Resilience and Energy Efficiency	
	Million
Public Housing Rapid Return Utility Conservation Program	\$176
Climate Resilience	100
Public Housing Utilities Benchmarking	24
	\$300

Public Housing Rapid Return Utility Conservation Program

The budget includes \$176 million for energy efficiency capital improvements. The competitive selection criteria would include the period it would take for the conservation measure to pay for itself with investments that have a more rapid return on the investment receiving a priority for funding. The Secretary would be authorized to establish additional selection criteria. Grantees would be required to report on the performance of the utility conservation measures. While many PHAs have sporadically implemented utility conservation measures, the Department believes that extensive opportunities remain for PHAs to implement utility conservation measures that will pay for themselves in just a few years. Based on consumption data, at least 200,000 public housing units would be able to install low flow water fixtures that would substantially reduce water consumption. There are also opportunities for rapid paybacks that reduce energy consumption. PHAs that install improved weatherization measures, smart thermostats, or shift from using fluorescent bulbs to Light Emitting Diode (LED) bulbs can achieve a one-year payback. This investment in the public housing program may achieve an estimated \$100 million per year in savings on utility costs, save more than 7 billion gallons of water, and conserve more than 85 billion BTUs.

Climate Resilience

The budget includes \$100 million in competitive grants to fund capital investments to increase the climate resilience of public housing. These would prioritize cost-effective investments that protect the largest number of units possible. The selection criteria would include a per-unit cost ratio that would provide a higher score to proposals that would make a higher number of units climate resilient for a lower cost. PHAs would have to provide evidence that the proposed intervention would ameliorate the climate threat sufficiently to ensure the long-term viability of the property. The Secretary would be permitted to establish an eligible list of climate threats that are eligible to receive funding, as well as to permit PHAs to propose climate threats for consideration. The Secretary would be authorized to establish additional selection criteria, as well as maximum grant limits.

In order to maximize the effectiveness of the climate management component of the Public Housing Fund, the legislative language has been written such that the Secretary has the ability to shift funds from utility conservation measures to climate resilience measures, if demand for one or the other is insufficient to consume the funds initially made available.

Public Housing Utilities Benchmarking

Rising utility costs, aging property infrastructure, and increasingly frequent and intense weather events all threaten the affordability, financial viability, and habitability of assisted housing. By retrofitting properties to be more energy efficient, healthier, and more resilient, HUD can ensure the safety, affordability, and availability of housing. Despite spending nearly \$7 billion annually on utilities across its programs, HUD does not currently have complete, actionable data on how assisted

properties in the portfolio perform relative to industry norms for utility consumption. HUD's ability to target technical assistance, resources, and programs to improve the worst performing properties in our portfolios, to reward the highest performers and improvers, and to set performance standards and targets for our properties, will depend upon having a reliable, baseline snapshot of how properties currently perform relative to industry standards. Further, because the utility consumption data collected through utilities benchmarking is the same data upon which HUD utility allowances are sized, utilities benchmarking should also result in more accurate utility allowances giving each property the correct energy subsidy.

HUD believes strongly that implementing utilities benchmarking across its assisted housing portfolio will serve to inform PHAs, owners, and the Department of the performance of its portfolio to support informed decision making. The 2023 Budget seeks to increase utilities benchmarking across the entire HUD housing portfolio, while providing each program flexibility to implement based on the specific needs and current program requirements. Utilities benchmarking is a tool that supports data-driven utility management. Utilities benchmarking allows PHAs to electronically track utility consumption, cost data, and respective building characteristic data for capital improvements planning. PHAs can support and measure improvements in the program and measure carbon reductions.

Chronic underfunding of the Public Housing program has left a significant portion of the public housing portfolio in need of capital investment to modernize systems to reduce energy and water consumption. PHAs have useful, but limited, incentive programs built into the Operating Fund Formula that reward PHAs that invest in energy conservation measures by allowing them to keep a portion of the savings (a portion is shared with HUD). Pursuing utilities benchmarking will help PHAs and those supporting housing authorities to identify inefficiencies and prioritize the investment of limited grant or financing resources.

HUD plans to require mandated utilities benchmarking across the portfolio when systems are operational. For public housing, HUD plans to require utilities benchmarking after completing the regulatory requirements related to a feasibility study and public process. These efforts include analysis of comprehensive data, systems, and processes to identify a viable approach to implementing utilities benchmarking for public housing.

The Budget proposes \$24 million to advance Public Housing utilities benchmarking in 2023 to provide robust technical assistance to support agencies that would voluntarily participate in a pilot utilities benchmarking effort in 2023, as well as enable HUD to meet its regulatory obligations to complete a feasibility study and conduct a public process with appropriate stakeholders. Further, depending on the outcome of the activities related to the feasibility study and public process, up to \$9 million of this funding could be used to support IT systems upgrades to support longer-term changes to HUD or EPA systems to implement utilities benchmarking across the public housing portfolio, to support integration with the Operating Fund process, and to make other systems upgrades to support integration between HUD and EPA systems.

In addition, HUD expects to use up to \$10 million of the utilities benchmarking funding for technical assistance to support agencies to voluntarily participate in utilities benchmarking in 2023. With \$10 million in funding to support a utilities benchmarking pilot, HUD could provide TA to approximately 280 PHAs, or 10 percent of the public housing portfolio. This would provide PHAs technical assistance in their effort to report into Portfolio Manager and equip PHAs to use the utilities benchmarking data to improve their energy and water efficiency. Depending upon the size of the PHAs participating, we would expect this to impact approximately 90,000 units, or 10 percent of the Public Housing portfolio.

Unlike utilities benchmarking in other HUD programs, the Public Housing program is required to conduct a feasibility study and complete a Federal Advisory Committee Act (FACA) process as part of its utilities benchmarking effort. HUD will then advance the recommendations of the study, as well as feedback from stakeholders at the FACA, to identify policies, system requirements, and develop a utilities benchmarking system that leverages existing technology and systems.

Public Housing Resident Characteristics

Currently, the Public Housing program serves families with an average household income of approximately \$15,574, less than a quarter of the 2020 U.S. median household income of \$67,521. Extremely low-income families (families earning less than 30 percent of an area's median income) make up approximately 60 percent of public housing households. More than a quarter of public housing households earn wages as their primary source of income, with approximately 65 percent of wage earners earning between \$5,000 and \$25,000. Over half of households live on fixed incomes. The elderly and persons with disabilities head 56 percent of households. Close to 40 percent of all households served include children. The average household contributes more than \$334 a month toward rent and utilities.

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SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2021 Budget Authority	2020 Carryover Into 2021	2021 Total Resources	2021 Obligations	2022 Annualized CR	2021 Carryover Into 2022	2022 Total Resources	2023 President's Budget
Public Housing Formula Grants (Capital Expenses)	2,765,000	-	2,765,000	2,710,162	2,765,000	11,204	2,776,204	3,200,000
Public Housing Formula Grants (Operating Expenses)	4,839,000	-	4,839,000	4,320,550	4,839,000	442,694	5,281,694	5,035,000
Public Housing Shortfall Prevention	25,000	-	25,000	25,000	25,000	-	25,000	25,000
Emergency Disaster Grants	20,000	-	20,000	18,940	20,000	1,060	21,060	20,000
Safety and Security Grants	10,000	-	10,000	10,000	10,000	-	10,000	20,000
Receivership and Monitorship Emergency Grants	45,000	-	45,000	45,000	45,000	-	45,000	-
Financial and Physical Assessment	23,000	-	23,000	1,266	23,000	21,734	44,734	50,000
Receivership, Troubled, High Risk PHAs	15,000	-	15,000	14	15,000	14,986	29,986	45,000
Public Housing Rapid Return Utility Conservation Program and Climate Resiliency	-	-	-	-	-	-	-	276,000
Utilities Benchmarking	-	-	-	-	-	-	-	24,000
Lead Paint Determination and Abatement	25,000	-	25,000	19,613	25,000	5,387	30,387	25,000
Housing Health Hazards	35,000	-	35,000	-	35,000	35,000	70,000	60,000
Radon Testing	4,000	-	4,000	-	4,000	4,000	8,000	-
Information Technology Fund (transfer)	-	-	-	-	-	-	-	(9,000)
Rental Assistance Demonstration (transfer)	-	(119,000)	(119,000)	-	-	(85,000)	(85,000)	(86,000)
Total	7,806,000	(119,000)	7,687,000	7,150,545	7,806,000	451,065	8,257,065	8,685,000

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Appropriations Language Changes

The 2023 President's Budget includes the following:

- **Operating Fund accommodates Jobs Plus rent incentive.** The amount of any foregone tenant rent payments due to the implementation of rent incentives from the Jobs-Plus initiative should be factored into the PHA's general operating fund eligibility instead of coming out of the PHA's Jobs Plus grant. This will allow PHAs to use their Jobs Plus grants to encourage self-sufficiency, not cover rent payments.

- **Capital and Operating Fund Flexibility.** Under current law, Public Housing appropriations are designated as "Operating" or "Capital," each of which has a separate list of eligible uses in statute. Small PHAs (i.e., operating <250 units) have full flexibility between Operating and Capital Funds, but non-small PHAs are only able to use 20 percent flexibly. HUD proposes to grant full flexibility to all PHAs.

General Provisions

The 2023 President's Budget proposes the following new general provision(s):

- **Capital and Operating Fund Formula Grant Corrections.** HUD requests authority to correct formula errors for any HUD formula program on a prospective basis by offsetting amounts from any previously overpaid grantee(s)' award(s) in the current fiscal year and distributing those funds to grantees in the current fiscal year that previously received less formula funding than they would have as a result of the error in the prior fiscal year. (2023 President's Budget, Section 235)
- **Moving to Work (MTW) Implementation.** The provision provides HUD an extra three years to implement the MTW expansion because of delays attributable to the COVID-19 pandemic. (2023 President's Budget, Section 229)

The 2023 President's Budget re-proposes the following general provision(s) that were enacted in the 2021 appropriations bill:

- **PHA Executive Compensation.** This provision establishes a cap on PHA personnel compensation tied to the Federal Executive Schedule pay scale. (2023 President's Budget, Section 216)
- **PHA Grant Funding Eligibility.** This provision prohibits funds from being used to make certain eligibility limitations as part of a notice of funding availability for competitive grant awards under the Public Housing Fund. (2023 President's Budget, Section 225)
- **Asset Management Exemption for Small PHAs.** Public housing agencies that own and operate 400 or fewer public housing units may elect to be exempt from any asset management requirement imposed by the Secretary in connection with the operating fund rule. (2023 President's Budget, Section 210)
- **Use of Capital Funds.** Ensures that agencies that are utilizing asset management are permitted to transfer capital funds for operations in compliance with the U.S. Housing Act of 1937. (2023 President's Budget, Section 211)
- **Expansion MTW Reserves Flexibility.** The provision allows Expansion MTW PHAs the ability to use previously appropriated funds flexibly permanently. (2023 President's Budget, Section 224)

Legislative Proposals

The 2023 Budget supports the following legislative proposal(s) and will seek changes through the authorization process:

- **Transfer of Reserves at Closing to Encourage Repositioning.** HUD requests authority to permit PHAs to retain a portion or the entire balance of Operating Funds, rental, and non-rental income reserves and use them to provide HCV assistance or capitalize the reserves of properties converted to PBVs through Section 22 or Section 18.
- **Community Service and Self-Sufficiency Requirement.** Current law requires non-working, non-elderly, non-disabled residents of Public Housing to participate in eight hours per month of either community service or economic self-sufficiency activities. HUD proposes to remove this requirement.
- **Biannual Selection of Flat or Income-based Rent for Families Experiencing Temporary Fluctuations in Income.** Under current law, PHAs must make available to tenants a "flat rent," generally at 80 percent FMR; however, tenants can only make the choice between a flat rent and an income-based rent once per year. HUD proposes to allow families to make this choice up to twice per year.
- **Triennial Recertifications of Income.** To promote family wealth building, HUD requests language that would provide the Department with the discretion to allow PHAs to, instead of annual or biennial income examinations, implement triennial recertification of income, like what is currently available to PHAs for fixed income families.

APPROPRIATIONS LANGUAGE

The 2023 President's Budget includes the appropriation language listed below.

For 2023 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 (42 U.S.C. 1437g(e)) (the "Act"), and to carry out capital and management activities for public housing agencies, as authorized under section 9(d) of the Act (42 U.S.C. 1437g(d)), \$8,780,000,000, to remain available until September 30, 2026: Provided, That the amounts made available under this heading are provided as follows:

(1) \$5,035,000,000 shall be available to the Secretary to allocate pursuant to the Operating Fund formula at part 990 of title 24, Code of Federal Regulations, for 2023 payments: Provided, That the amount of any forgone increases in tenant rent payments due to the implementation of rent incentives as authorized pursuant to waivers or alternative requirements of the Jobs-Plus initiative as described under the heading "Self-Sufficiency Programs" shall be factored into the PHA's general operating fund eligibility pursuant to such formula;

(2) \$25,000,000 shall be available to the Secretary to allocate pursuant to a need-based application process notwithstanding section 203 of this title and not subject to such Operating Fund formula to public housing agencies that experience, or are at risk of, financial shortfalls, as determined by the Secretary: Provided, That after all such shortfall needs are met, the Secretary may distribute any remaining funds to all public housing agencies on a pro-rata basis pursuant to such Operating Fund formula;

(3) \$3,200,000,000 shall be available to the Secretary to allocate pursuant to the Capital Fund formula at section 905.400 of title 24, Code of Federal Regulations: Provided, That from the funds made available under this paragraph, the Secretary shall provide bonus awards in fiscal year 2023 to public housing agencies that are designated high performers;

(4) \$40,000,000 shall be available for the Secretary to make grants, notwithstanding section 203 of this title, to public housing agencies for emergency capital needs, including safety and security

measures necessary to address crime and drug-related activity, as well as needs resulting from unforeseen or unpreventable emergencies and natural disasters excluding Presidentially declared emergencies and natural disasters under the Robert T. Stafford Disaster Relief and Emergency Act (42 U.S.C. 5121 et seq.) occurring in fiscal year 2023: Provided, That of the amount made available under this paragraph, not less than \$20,000,000 shall be for safety and security measures: Provided further, That in addition to the amount in the previous proviso for such safety and security measures, any amounts that remain available, after all applications received on or before September 30, 2024, for emergency capital needs have been processed, shall be allocated to public housing agencies for such safety and security measures;

(5) \$25,000,000 shall be for competitive grants to public housing agencies to evaluate and reduce lead-based paint hazards in public housing by carrying out the activities of risk assessments, abatement, and interim controls (as those terms are defined in section 1004 of the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851b)): Provided, That for purposes of environmental review, a grant under this paragraph shall be considered funds for projects or activities under title I of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.) for purposes of section 26 of such Act (42 U.S.C. 1437x) and shall be subject to the regulations implementing such section;

(6) \$60,000,000 shall be available for competitive grants to public housing agencies to evaluate and reduce housing-related hazards including carbon monoxide, radon and mold in public housing: Provided, That for purposes of environmental review, grants under this paragraph shall be considered funds for projects or activities under title I of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.) for purposes of section 26 of such Act (42 U.S.C. 1437x) and shall be subject to the regulations implementing such section: Provided further, That amounts made available under this paragraph shall be combined with any amounts remaining from amounts made available under this paragraph for Healthy Homes Initiative grants in prior Acts and shall be used in accordance with the purposes and requirements under this paragraph;

(7) \$45,000,000 shall be to support the costs of administrative and judicial receiverships and for competitive grants to PHAs in receivership, designated troubled or substandard, or otherwise at risk, as determined by the Secretary, for costs associated with public housing asset improvement, in addition to other amounts for that purpose provided under any heading under this title;

(8) \$50,000,000 shall be to support ongoing public housing financial and physical assessment activities;

(9) \$300,000,000 shall be available to improve the energy or water efficiency or climate resilience of public housing, including for competitive grants to public housing agencies for capital improvements to achieve such purposes: Provided, That for purposes of environmental review, grants under this paragraph shall be considered funds for projects or activities under title I of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.) for purposes of section 26 of such Act (42 U.S.C. 1437x) and shall be subject to the regulations implementing such section: Provided further, That of the amounts made available under this paragraph, up to \$24,000,000 shall be available for utility benchmarking, including research and evaluations, technical assistance, and contracts, of which up to \$9,000,000 may be transferred to and merged with the heading "Information Technology Fund" to develop systems and tools necessary to collect and analyze PHA utility benchmarking data, to remain available until September 30, 2026;

Provided further, That notwithstanding any other provision of law or regulation, during fiscal year 2023, the Secretary of Housing and Urban Development 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) of the Act regarding the extension of the time periods under such section: Provided further, That for purposes of such section 9(j), the term "obligate" means,

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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 a public housing agency may use operating reserve funds or any amounts allocated to such agency pursuant to the Operating or Capital Fund formulas from amounts made available in this and prior Acts for any eligible activities under sections 9(d)(1) and 9(e)(1) of the United States Housing Act of 1937 (42 U.S.C. 1437g(d)(1) and (e)(1)).

Note.—A full-year 2022 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2022 (Division A of P.L. 117-43, as amended). The amounts included for 2022 reflect the annualized level provided by the continuing resolution.