PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
2009 Summary Statement and Initiatives
(Dollars in Thousands)

TENANT-BASED RENTAL ASSISTANCE	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	$15,927,000	$772,868[a]	-$40,333	$16,659,535[c]	$16,308,908[c]	$15,970,659
2008 Appropriation/Request	16,426,000	350,274[b]	-723,257	16,053,017[d]	16,053,017[d]	16,051,000
2009 Request	16,039,000	...	...	16,039,000[e]	16,039,000[e]	16,253,000
Program Improvements/Offsets	-387,000	-350,274	+723,257	-14,017	-14,017	+202,000

a/ Includes $48.616 million recaptured during fiscal year 2007.
b/ Excludes $354,692 which expired at the end of fiscal year 2007.
c/ Includes $5.9 million transferred and obligated in the Working Capital Fund.
d/ Includes $6.494 million transferred and obligated in the Working Capital Fund.
e/ Includes $7.929 million transferred and obligated in the Working Capital Fund.

NOTE: "Enacted/Requested" amounts are based on fiscal year appropriations. However, this program is administered and typically appropriated on a calendar year basis.

Summary Statement

The Section 8 Tenant-Based Rental Assistance program is the Federal Government's foremost program for assisting low-income families to rent decent, safe, and sanitary housing in the private market. Because the rental assistance is provided on behalf of the family or individual, participants are able to find and lease privately owned housing. Last year, the Federal Government assisted approximately two million families with this program. Based on a Program Assessment Rating Tool (PART) assessment by OMB, this is one of the Department's and the Federal Government's most effective programs. This program is widely recognized as a cost-effective means for delivering decent, safe, and sanitary housing to low-income families. Through this budget, we hope to improve this program by enabling Public Housing Authorities (PHAs) to increase the assistance they can provide low-income families through a budget-based system that is transparent, appropriately compensates and rewards PHA performance, and results in predictable future year funding allocations.

The Department requests a total of $16.039 billion for Tenant-Based Rental Assistance in fiscal year 2009. This request is a $336 million increase from the fiscal year 2008 net enacted level—including the $723 million rescission. In addition, this budget proposes a $158 million reduction in the advance appropriation, which will become available in fiscal year 2010. Please note that this program is administered on a calendar year basis. As a result of the change in advance appropriation, the request for calendar year 2009 is $15.881 billion—an increase of $178 million from the calendar year 2008 net enacted level of $15.703 billion.

This budget continues the practice established by Congress in the 2008 Consolidated Appropriations Act to offset balances that PHAs are holding in their net restricted asset accounts. A portion of these balances are currently unusable due to the cap on authorized units. With this offset, the Department expects to make available an additional $600 million. To keep these unusable balances from growing in the future and to encourage more efficient use of funds, this budget also proposes to remove the cap on authorized units.

Of the total amount requested, the Department requires $14.161 billion to cover the renewal of expiring tenant-based Section 8 contracts in calendar year 2009, $1.4 billion for administrative fees, $150 million for tenant protection units, $48 million for Family Self-Sufficiency (FSS) program coordinators, $75 million for new Veterans Affairs Supportive Housing (VASH) vouchers, $39 million for Disaster Displacement Assistance, and $7.9 million for the Working Capital Fund transfer. In addition, the Department requires that $50 million of contract renewal funds be set-aside for the Secretary to provide funding adjustments for unforeseen exigencies, including for PHAs located in Presidentially declared disaster areas.

Initiatives

Through this budget, the Department reaffirms it commitment to improving the Section 8 Housing Choice Voucher Program by enabling PHAs to increase the assistance they can provide low-income families through a budget-based system that is transparent, appropriately compensates and rewards the performance of PHAs, and results in predictable future year funding allocations for PHAs. In addition, the Department continues to support the reforms introduced in the Voucher and Rent Simplification Act of 2007. Legislation to implement the Administration’s reform proposal will be re-submitted again to Congress early in 2008.

Through this budget, and the proposed legislation, the Department plans to:

- Provide incentives for PHAs to spend their funds to maximize assistance;
- Maximize appropriated funds by changing the way funds are allocated to PHAs, and factoring currently unusable funds into the 2009 allocation;
- Remove the cap on the number of families that each PHA may serve;
- Provide for the housing needs of homeless veterans--through a requested $75 million for new Veterans Affairs Supportive Housing (VASH) vouchers; and
- Provide $39 million in Disaster Displacement Assistance for continued housing assistance for those families displaced by Hurricanes Katrina and Rita and who are currently being served by the Disaster Housing Assistance Program.

Finally, the Department plans to improve the administration of this program by focusing on performance metrics such as the effective utilization of budget authority and the revision of the Section 8 Management and Assessment Program (SEMAP) to better enable our public housing agencies to administer the Section 8 Voucher Program for low-income families.

PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Contract Renewals	$14,440,359	$391,017	$14,831,376	$14,662,702	$13,982,066	$168,674	$14,150,740	$14,319,071
Administrative Fees ...	1,245,583	45,132	1,290,715	1,246,656	1,340,183	44,060	1,384,243	1,400,000
Section 8 Rental Assistance	147,325	78,335	225,660	135,648	200,000	90,014	290,014	150,000
FSS Coordinators	47,500	26	47,526	...	49,000	47,526	96,526	48,000
Disaster Voucher Program	...	258,358	258,358	258,003	...	...	...	...
Veterans Affairs Supportive Housing (VASH) Program	...	...	...	...	75,000	...	75,000	75,000
Working Capital Fund (transfer)	5,900	...	5,900	5,900	6,494	...	6,494	7,929
Nonelderly Disabled ...	...	...	...	...	30,000	...	30,000	...
Family Unification Program	...	...	...	...	20,000	...	20,000	...
Disaster Displacement Assistance	...	...	...	...	...	...	...	39,000
Total	15,886,667	772,868	16,659,535	16,308,909	15,702,743	350,274	16,053,017	16,039,000

NOTE: “2007 Carryover Into 2008” excludes $354,692 from the Disaster Voucher Program which expired at the end of fiscal year 2007. In addition, “2007 Budget Authority” and “2008 Budget Authority Request” are net of rescissions.

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	371	279	265
Field	390	182	202
Total	761	461	467

PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Program Offsets
(Dollars in Thousands)

Contract Renewals	**Amount**
2007 Appropriation	$14,440,359
2008 Appropriation/Request	13,982,066
2009 Request	14,319,071
Program Improvements/Offsets	+337,005

NOTE: Amounts above represent the fiscal year allocation. However, this program is administered on a calendar year basis. Calendar year allocations are as follows:

(Dollars in Thousands)

Calendar Year	Amount
2007	$14,436,200
2008	$13,971,249
2009	$14,161,071

Proposed Actions

Contract Renewals provide funding to renew expiring Section 8 tenant-based rental assistance contracts on a calendar-year basis. All contracts are proposed for a renewal term of 1 year. For fiscal year 2009, the Department requests $14.319 billion in Contract Renewals funding. However, for calendar year 2009, the Department requests $14.161 billion. This difference is due to a decrease in the requested advanced appropriation, which would become available in October 2009 (beginning of fiscal year 2010). This budget requests $4 billion to be provided in an advance appropriation, the 2008 appropriation provided $4.158 billion in an advanced appropriation. The Department uses the advance appropriation to complete the calendar year funding, thereby crossing into the first quarter of the next fiscal year.

This budget represents an increase of $0.2 million in new budget authority for calendar year 2009. This budget will also provide an additional $600 million in budget authority through an offset. For this offset, the Department intends to reduce the allocation of new budget authority to PHAs by any balances they are currently holding that they can not use due to the cap on authorized units. In short, this budget will provide an estimated $14.761 billion in calendar year renewals spending--$14.161 billion in new budget authority, and $600 million in offsets from balances that are currently unusable. The result of this offset will be a consistent level of program funding as is currently provided.

In addition, the Department requests $50 million as a central reserve set-aside, (within the Contract Renewals allocation) to provide baseline adjustment funding as needed to certain PHAs. This includes PHAs with project-based and HOPE VI projects that were not included in current baseline, as well as adjustments needed for unforeseen circumstances. This amounts to less than half of 1 percent of the total Contract Renewals request, and provides the Secretary with the essential ability to address inequities resulting from unanticipated events.

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Program Offsets
(Dollars in Thousands)

Administrative Fees	**Amount**
2007 Appropriation	$1,245,583
2008 Appropriation/Request	1,340,183
2009 Request	1,400,000
Program Improvements/Offsets	+59,817

NOTE: Amounts above represent the fiscal year allocation. However, this program is administered on a calendar year basis. Calendar year allocations are as follows:

(Dollars in Thousands)

Calendar Year	Amount
2007	$1,281,100
2008	$1,351,000
2009	$1,400,000

Proposed Actions

Administrative Fees are a vital component of the Tenant-Based Rental Assistance program. These funds provide PHAs with the resources necessary to administer Housing Choice (Section 8) vouchers. Approving units, evaluating tenant eligibility, and reviewing applications are personnel intensive processes for PHAs. Administrative Fees are necessary to maintain an effective level of service delivery and ensure that the right benefits are going to the right people.

The Department requests $1.4 billion for Administrative Fees in fiscal year and calendar year 2009. This is a $49 million increase from the calendar year 2008 enacted level. The increase is required to maintain a similar ratio of Administrative Fees to housing assistance payments (contract renewals plus tenant protection vouchers) as was provided in 2008. Of this amount, the Department requests that up to $40 million of administrative fees be set aside for new tenant protection units, administrative fees associated with the Veterans Affairs Supportive Housing (VASH) Program, and the Housing Choice Voucher homeownership option program. As in 2008, the Department plans to distribute Administrative Fees to PHAs based on the number of households they assist.

The Department is currently in the process of initiating a research study on administrative fees related to the voucher program. In the future this data will be used to determine the distribution of administrative fees based on the number of families assisted by a PHA. In establishing the administrative fee, the Department must determine the minimum program size necessary for an agency to administer the housing voucher program in a cost effective manner. The administrative fee will be reconsidered and updated each year; the bases for these adjustments would be to index changes in wage data or other objectively measurable data reflecting the costs of administering the program.

PUBLIC AND INDIAN HOUSING
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Program Offsets
(Dollars in Thousands)

Section 8 Rental Assistance	**Amount**
2007 Appropriation	$147,325
2008 Appropriation/Request	200,000
2009 Request	150,000
Program Improvements/Offsets	-50,000

Proposed Actions

The Department proposes $150 million in new budget authority for Section 8 Rental Assistance in 2009. This request is necessary to provide housing for previous HUD assisted families who are displaced through no fault of their own. These funds will provide tenant-based rental assistance, (tenant protection vouchers) for the relocation of residents affected by Property Disposition, Opt-Out/Termination, portfolio re-engineering, preservation prepayment, replacement/relocation vouchers for Section 202 Mandatory Conversion, project-based moderate rehabilitation, project-based moderate rehabilitation Single Room Occupancy (SRO), HOPE VI, and Section 33 of the U.S. Housing Act of 1937, as amended. A portion of the funds may also be used for the Family Unification Program, witness relocation, conversion of Section 23 projects to Section 8 assistance and other types of project-based rental assistance to Section 8 assistance.

In the past, the Department has provided Section 8 Rental Assistance to occupied units only. Any proposed change to this policy would result in the need for additional tenant protections for all lost units. Furthermore, because this is a demand-driven program, it is difficult to determine exactly what the 2009 Section 8 Rental Assistance needs will be. As a result of these unforeseen costs that may impact the program, this budget includes appropriations language which will allow the Department to use recaptured funds from this account and the Housing Certificate Fund as Section 8 Rental Assistance funds regardless of the purposes for which the funds were originally appropriated.

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Program Offsets
(Dollars in Thousands)

FSS Coordinators	**Amount**
2007 Appropriation	$47,500
2008 Appropriation/Request	49,000
2009 Request	48,000
Program Improvements/Offsets	-1,000

Proposed Actions

The Family Self-Sufficiency (FSS) program supports the Department's strategic goal of helping HUD-assisted renters make progress toward housing self-sufficiency. This program provides critical tools that support welfare reform. It helps participants achieve employment goals, accumulate assets, and receive training and counseling that will enable them to be self-sufficient without rental assistance. FSS program services may include, but are not limited to: child care, transportation, education, job training and employment counseling, substance/alcohol abuse treatment or counseling, household skill training, and homeownership counseling. FSS coordinators have been found to be essential to accomplishing these goals since they link program participants to the supportive services needed to obtain employment. In fiscal year 2007, approximately 55 percent of families enrolled in the Housing Choice Voucher FSS program for at least one year reported an increase in earned income since their enrollment in the FSS program. According to records in the Department's Public and Indian Housing Information Center (PIC) data system, between January 1, 1998 and December 31, 2006, an average of 49 percent of families that completed their contracts no longer needed rental assistance. Furthermore, approximately 21 percent of families that completed their FSS contracts between October 1, 2000 and December 31, 2006, moved to homeownership.

With the $47 million provided in fiscal years 2006 and 2007, the Department provided coordinators to 617 of the more than 1,000 PHAs currently administering the program. This budget requests $48 million for FSS Coordinators in 2009. Furthermore, the Department supports establishing a permanent formula driven fee structure to cover FSS coordinator costs, thereby eliminating the competitive Notice of Funding Availability (NOFA) process. Implementing this legislation will help streamline the funding allocation process, promote the timely obligation of funds, and improve program efficiency and effectiveness.

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Program Offsets
(Dollars in Thousands)

Veterans Affairs Supportive Housing (VASH) Program	**Amount**
2007 Appropriation	...
2008 Appropriation/Request	$75,000
2009 Request	75,000
Program Improvements/Offsets	...

Proposed Actions

The Department requests $75 million for VASH vouchers. The number of veterans sleeping in our country's doorways, street corners and alleys makes up an alarming percentage of the homeless population. The Department of Veterans Affairs (VA) estimates that about one-third of the adult homeless population has served their country in the Armed Services.[1] On any given day, approximately 150,000 veterans are living on the streets or in shelters, and perhaps twice as many experience homelessness at some point during the course of a year.[2] Right now, the number of homeless Vietnam-era veterans is greater than the number of service persons who died during that war.[3] Though the VA offers a number of programs to assist homeless veterans, HUD's VASH program is the only Federal program that provides permanent housing specifically for homeless Veterans.

The VASH program provides HUD rental assistance (Housing Choice) vouchers for use by homeless veterans with chronic mental health or substance abuse disorders. Veterans who participate in this program must agree to intensive case management services from VA staff and make a long-term commitment to treatment and rehabilitation.

[1] U.S. Government Accountability Office, "Homeless Veterans Programs: Improved Communications and Follow-up Could Further Enhance the Grant and Per Diem Program," (September 2006), (GAO-06-859).
[2] "The Annual Homeless Assessment Report to Congress," dated February 2007, issued by the U.S. Department of Housing and Urban Development, estimates the homeless veteran population to be approximately 141,000. The "Homeless: Programs and the People They Serve," dated December 1999, issued by the Interagency Council on the Homeless, estimates the homeless veteran population to be approximately 173,000.
[3] The Interagency Council on the Homeless, "Homelessness: Programs and the People They Serve," (December 1999).

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Program Offsets
(Dollars in Thousands)

Working Capital Fund (transfer)	**Amount**
2007 Appropriation	$5,900
2008 Appropriation/Request	6,494
2009 Request	7,929
Program Improvements/Offsets	+1,435

Pro posed Actions

Public and Indian Housing (PIH) Information Technology provides a secure, scalable system for HUD staff and their business partners to collect and review information about the public housing inventory managed by HUD. Continuous maintenance and enhancement of these systems is key to the effective administration of the Department's public housing programs. These systems help facilitate real-time updates of program and financial data, and generate reports to proactively manage public housing programs. The Department is requesting $7.9 million, which will be transferred from the Tenant-Based Rental Assistance Account to the Working Capital Fund for the development and maintenance of information technology systems related to public housing.

PIH information technology gives careful consideration to funding implications for its fiscal year 2009 IT operation based upon the strategic goal to promote decent affordable housing and the following initiatives:

I: **Ensuring Financial Responsibility and Integrity in PIH programs**

Secretary Jackson implemented the President's Management Agenda at HUD, putting in motion a reform plan to make sure that Rental Housing Assistance Programs, which the General Accountability Office (GAO) had identified as "high-risk," function more effectively. The reforms resulted in a 60 percent decline in gross improper payments in 2005. As a result, the GAO removed the high-risk designation from the Rental Housing Assistance Program, a direct result of our achievements in the area of income verification.

Related to this goal of promoting decent affordable housing is the Department's decision to retire the HUD Central Accounting and Program System (HUDCAPS) to transition to HUD's Integrated Financial System. However, before this change can happen, PIH must complete the implementation of key components of the PIH Resource Allocation function, including the transfer of the Housing Choice Voucher program management activities from HUDCAPS to the Subsidy Award and Grant Information System (SAGIS). Beginning in fiscal year 2009, SAGIS will centralize all PIH program funds allocation/management activities.

II: **Transition to Asset Management**

Asset Management is one of the most significant events in the history of the public housing program, with major organizational consequences for both Public Housing Agencies and the Department. Asset management fundamentally changes the way business is done. This major initiative was authorized by Congress, negotiated with industry, and codified in a final rule issued by the Department in September of 2005. As a result, PIH will significantly revise the Public Housing Assessment System (PHAS), which will result in major modifications to all PIH information systems.

The Department is funding the transition to asset management and resource allocation and performing much needed system modernization activities with limited fiscal year 2008 funds. The Department requires its full fiscal year 2009 IT budget request to complete the transition to Asset Management and establish financial integrity of PIH programs via SAGIS implementation. To support this $40 million budget, PIH is requesting $22.5 million in program funds, an additional $11 million from Working Capital Fund direct appropriation for system maintenance, and $6.5 million from the Office of Housing Multifamily. Lower levels of funding will result in delays in financial management activities, inadequate implementation of Asset Management, and poor PHA performance assessment.

III. The Modernization Assessment System (MAS)

The Department plans to put functionality in the Physical Inspection Subsystem (PASS), the Subsidy Award and Grants Information System (SAGIS), and the Inventory Management System/Public and Indian Housing Information Center (IMS/PIC). The Office of Capital Improvements plans to hire a contractor to look at options on data collection and analysis. Preliminary Information Technology estimates for Phase I of the MAS include $550,000 for Physical Inspections to collect data, $450,000 for SAGIS to process the information for Capital Fund allocations, and $250,000 for IMS/PIC modifications.

In fiscal year 2007, the Department accomplished the following:

- Implemented Single Sign-On for all PIH systems;
- Implemented e-Authentication;
- Upgraded IT Infrastructure for PIH systems;
- Implemented Income verification using National Directory of new Hires (NDNH) for Housing Multifamily and improve PIH wage matching; and
- Completed Resource Allocation/SAGIS (Initial Implementation) for Operating Fund.

PUBLIC AND INDIAN HOUSING
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Program Offsets
(Dollars in Thousands)

Disaster Displacement Assistance	**Amount**
2007 Appropriation	...
2008 Appropriation/Request	...
2009 Request	$39,000
Program Improvements/Offsets	+39,000

Proposed Actions

The Disaster Displacement Assistance Program provides continued assistance to our most vulnerable population, the elderly and disabled households who were displaced by Hurricanes Katrina and Rita and are currently receiving temporary housing assistance under the FEMA-HUD Disaster Housing Assistance Program (DHAP). The DHAP expires on March 1, 2009. The primary income source for most of these households is Supplemental Security Income (SSI), social security, or some other form of fixed income. The requested $39 million will permit HUD to continue to assist these families. Without the continued assistance provided through this request, these families will likely become homeless. The Department is committed to protecting this population until they are able to fully recover from such a catastrophic disaster such as Hurricanes Katrina and Rita.

PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Performance Measurement Table

Program Name: **TENANT-BASED RENTAL ASSISTANCE**					
Program Mission: Tenant-Based Rental Assistance is the Federal Government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market.					
Performance Indicators	**Data Sources**	**Performance Report**		**Performance Plan**	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
The number of homeownership closings under the homeownership option of the Housing Choice Voucher program in fiscal year 2009 is 2,000.	PIH Information Center; Form 50058	2,000	2,901	1,200	2,000
Improve the utilization rate of Housing Choice Voucher funding to 97 percent by Calendar Year 2011.	The Voucher Management System	Tracking	93%	Tracking	Tracking
The proportion of the Housing Choice Voucher program funding administered by troubled housing agencies.	Field Office/Grantee Reporting	NA	4.5%	Tracking	Tracking
The Department will develop baseline data and future years' targets for the Housing Choice Voucher program assessment tool.	HCV Program Assessment Tool	NA	NA	Tracking	Tracking
The rate of program errors and improper payments in HUD's rental housing assistance programs will continue to be reduced.	Periodic PD&R, PIH & Housing Reporting	Improper payments will be no more than 5.0% of total payments	5.5%	Improper payments will be no more than 5.3% of total payments	Improper payments will be no more than 4.5% of total payments

NA = Not Applicable.

Explanation of Indicators

Indicator: The number of homeownership closings under the homeownership option of the Housing Choice Voucher program in fiscal year 2009 is 2,000.

This indicator is part of a cross-departmental goal, (A1.12) to promote affordable housing opportunities in the 2009 Department's Annual Performance Plan. Increasing homeownership among low-income and minority households is one of the Department's most important initiatives. The outcomes associated with this effort are increased homeownership and resident mobility from the rental program. The homeownership option under the Housing Choice Voucher program helps accomplish this objective by allowing PHAs to provide voucher assistance to low-income first-time homebuyers for monthly homeownership expenses rather than for monthly rental payments--the most typical use of voucher assistance. This indicator tracks the annual number of homeowners assisted with voucher funds. The fiscal year 2009 goal is to increase the number of homeownership closings by 2,000 over the course of the year.

Since its inception in 2001, this program has grown annually. As of fiscal year 2007, 10,429 households have become homeowners through homeownership vouchers. The Department plans to significantly expand homeownership voucher utilization in fiscal year 2009 through the use of an administrative fee incentive. However, the actual increase achieved will continue to be affected by several other factors, including PHA capacity, availability of financing for first-time low- and moderate-income homebuyers, market forces, and interest rates.

Indicator: Improve the utilization rate of Housing Choice Voucher funding to 97 percent by Calendar Year 2011.

The objective of this goal is to ensure that the funding provided by Congress for Housing Choice Vouchers (Tenant-Based Rental Assistance) is effectively used. The Housing Choice Voucher program provides low-income participants with the ability to seek rental housing of their choice, with certain rent parameters and portability features enabling families to take their vouchers to other rental markets in pursuit of available job and other economic opportunities. While most of the Housing Choice Voucher program annual budget authority is currently being used to assist low-income families, some PHAs are not fully using all the budget authority allocated to them. Maximizing the amount of appropriated Housing Choice Voucher funds (Tenant-Based Rental Assistance – Contract Renewals) used by PHAs is a key HUD priority. Until such time as asset management and the new assessment system are implemented, the Department will report the utilization of Housing Choice Voucher funding as a tracking indicator.

For the 6 months ending June 30, 2007, PHAs had a projected utilization rate of 93 percent. This is an increase from calendar year 2006 when PHAs used 90 percent of their funding. Although this is an improvement, HUD still expects much greater utilization of these funds. To achieve improved utilization, HUD plans to continue outreach to PHAs and to link future administrative fee payments to PHA leasing levels.

Indicator: The proportion of the Housing Choice Voucher program funding administered by troubled housing agencies.

This indicator provides one measure of the quality of administration of the Housing Choice Voucher Program at the PHA level. The Department is proud to report there has been a substantial improvement in this area. For 2007, there were 152 troubled agencies, with Housing Assistance Payment funding of $644.6 million (4.5 percent the total Housing Assistance Payment funding). For 2006, there were 168 agencies that received $862.3 million (6.1 percent of the total Housing Assistance Payments funding). This represents a decrease of 25.2 percent in the funding that those agencies administered and a 9.5 percent reduction in the number of troubled PHAs.

During fiscal year 2007, HUD developed new methodology for assessing whether a PHA is troubled. During fiscal year 2008 a new assessment system will be implemented. During fiscal year 2009, HUD will determine the baseline percentage of Housing Choice Voucher Program funding that is administered by PHAs that are determined to be troubled under this new performance assessment system. At that point, the Department will implement Annual Performance Plan goals to manage the performance of PHAs. Until asset management and the new assessment system are implemented, the Department will report this indicator as a tracking indicator.

Indicator: The Department will develop baseline data and future years' targets for the Housing Choice Voucher program assessment tool.

The objective of this goal is to ensure that the funding provided by Congress for Housing Choice Vouchers is effectively used. The Housing Choice Voucher Program provides low-income participants with the ability to seek rental housing of their choice, with certain rent parameters and portability features enabling families to take their vouchers to other rental markets in pursuit of available job and other economic opportunities. Currently, Housing Choice Voucher funding is based on a fixed annual budget, yet the program's underlying law and regulations mandate a restrictive, cumbersome program that makes managing within budget very difficult. The present program monitoring tool, the Section Eight Management Assessment Program, is based on self-reported management indicators.

As envisioned, the new Housing Choice Voucher assessment would be basic and results-oriented. Under the proposed program, PHAs would be measured on four main standards: 1) housing quality; 2) fund utilization; 3) financial condition of the agency; and 4) the accuracy of reports. The Secretary may determine additional indicators. During fiscal year 2007, the program area completed an analysis of the changes needed to the assessment tools. The goal is to implement the changes during fiscal years 2008 and 2009. During fiscal year 2009 PIH will monitor the initial assessment scores under this program and develop performance targets for fiscal year 2010 and beyond.

Indicator: The rate of program errors and improper payments in HUD's rental housing assistance programs will continue to be reduced.

The rental housing assistance programs (public housing, Housing Choice Vouchers, and project based assistance programs) constitute HUD's largest appropriated activity, with over $27 billion in annual expenditures. There are three major sources of error in these complex programs:

- Program administrator error: the program administrator's failure to properly apply income exclusions and deductions and correctly determine income, rent, and subsidy levels;
- Tenant income reporting: the tenant beneficiary's failure to properly disclose all income sources; and
- Billing error: errors in the billing and payment of subsidies between third party program administrators and HUD. Billing errors are discrepancies between the proper subsidy level (based on the actual rent charges) and the amount that HUD is actually billed.

The goal for the fiscal year 2007 reporting period (based on fiscal year 2006 data) was not met. The fiscal year 2006, goal was 5 percent, and the Improper Payments study completed in fiscal year 2007 shows that HUD's Improper Payments rate for fiscal year 2006 was 5.5 percent. This slight increase in erroneous payments, as a percentage of total program payments, was primarily due to increases in the level of tenant income reporting errors of approximately $26 million compared to the level in the prior study. This increase was primarily attributable to three factors below.

1) Revised Research Methodology. A revised research methodology was implemented in the fiscal year 2007 study. The revisions were recommended to take advantage of the capabilities of the Enterprise Income Verification System, and required third party verification of income in instances where an income source was evident in quarters adjacent to the quarter being reviewed. These revisions broadened the rules used to identify unreported sources of income in the database, thereby increasing the number of potential candidates with underreported income which required more third party verifications.

2) Increased Verification Response Rates. Employer response rates (i.e., third party verification rates) increased from the fiscal year 2006 study to the fiscal year 2007 study, which provided more complete information on which to determine and extrapolate unreported sources of income.

3) Enterprise Income Verification Implementation and Use. The implementation of this verification tool to HUD's Project Based Owners was delayed until fiscal year 2008. Additionally, due to a need for training and a change in business models, HUD's Public Housing Agencies did not fully incorporate the use of the Enterprise Income Verification system into their day-to-day operations during fiscal year 2006. HUD believes that the general downward trend in tenant income error will continue as the result of an improved methodology for reviewing income discrepancies identified through computer matching and third party verification to better determine actual cases of underreported income affecting subsidy levels. The reduction will also be facilitated by: technical assistance and training to minimize administrator errors; implementation of the Enterprise Income Verification system in multifamily housing; and approval of a proposed rule, which was published in fiscal year 2007 and which is planned for final implementation in late fiscal year 2008, that will mandate use of the Enterprise Income Verification system.

HUD revised the fiscal year 2007 goal based on the aforementioned change in research methodology, the increase in third party verification response rates, and the delay in the Enterprise Income Verification implementation for HUD's Project Based/Owner Administered housing until fiscal year 2008. HUD believes that the goals for fiscal year 2007 and beyond are realistic and sustainable. Overall, HUD has reduced its baseline erroneous rental assistance payment estimates of $3.4 billion by over 55 percent since 2000. The goal for fiscal year 2009 is to reduce the actual improper payment rate of no more than 4.5 percent of total annual program payments.

PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Justifications of Proposed Changes in Appropriations Language

The fiscal year 2009 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.

TENANT-BASED RENTAL ASSISTANCE
(INCLUDING TRANSFER OF FUNDS)

For activities and assistance for the provision of tenant-based rental assistance authorized under the United States Housing Act of 1937, as amended (42 U.S.C. 1437 et seq.) ("the Act'' herein), **[**not otherwise provided for, $16,391,000,000**]***$11,881,000,000*, to remain available until expended**[**, of which $12,233,000,000**]** shall be available on October 1, **[**2007**]***2008 (in addition to the $4,158,000,000 previously appropriated under this heading that will become available on October 1, 2008),* and **[**$4,158,000,000**]***$4,000,000,000*, *to remain available until expended,* shall be available on October 1, **[**2008**]***2009*: *Provided*, That the amounts made available under this heading**[** are provided as follows:**]**

[(1)**]** **[**$14,694,506,000 **]***shall be available* for renewals of expiring section 8 tenant based annual contributions contracts (including renewals of enhanced vouchers under any provision of law authorizing such assistance under section 8(t) of the Act)*, and including renewal of other designated housing vouchers initially funded in fiscal year 2008 (such as Family Unification and Veterans Affairs Supportive Housing vouchers)*: *Provided further*, That notwithstanding any other provision of law, from amounts provided under this paragraph and any carryover, the Secretary for the calendar year **[**2008**]***2009* funding cycle shall provide renewal funding for each public housing agency based on **[**voucher management system (VMS) leasing and cost data for the most recent Federal fiscal year**]** *the amount public housing agencies were eligible to receive in calendar year 2008* and by applying the **[**2008**]***2009* Annual Adjustment Factor as established by the Secretary, and by making any necessary adjustments for the costs associated with **[**deposits to family self-sufficiency program escrow accounts or**]** the first-time renewal of tenant protection or HOPE VI vouchers or vouchers that were not in use during the 12-month period in order to be available to meet a commitment pursuant to section 8(o)(13) of the Act: **[** *Provided further*, That notwithstanding the first proviso, except for applying the 2008 Annual Adjustment Factor and making any other specified adjustments, public housing agencies specified in category 1 below shall receive funding for calendar year 2008 based on the higher of the amounts the agencies would receive under the first proviso or the amounts the agencies received in calendar year 2007, and public housing agencies specified in categories 2 and 3 below shall receive funding for calendar year 2008 equal to the amounts the agencies received in calendar year 2007, except that public housing agencies specified in categories 1 and 2 below shall receive funding under this proviso only if, and to the extent that, any such public housing agency submits a plan, approved by the Secretary, that demonstrates that the agency can effectively use within 12 months the funding that the agency would receive under this proviso that is in addition to the funding that the agency would receive under the first proviso: (1) public housing agencies that are eligible for assistance under section 901 in Public Law 109-148 (119 Stat. 2781) or are located in the same counties as those eligible under section 901 and operate voucher programs under section 8(o) of the United States Housing Act of 1937 but do not operate public housing under section 9 of such Act, and any public housing agency that otherwise qualifies under this category must demonstrate that they have experienced a loss of rental housing stock as a result of the 2005 hurricanes; (2) public housing agencies that would receive less funding under the first proviso than they would receive under this proviso and that have been placed in receivership within the 24 months preceding the date of enactment of this Act; and (3) public housing agencies that spent more in calendar year 2007 than the total of the amounts of any such public housing agency's allocation amount for calendar year 2007 and the amount of any such public housing agency's available housing assistance payments undesignated funds balance from calendar year 2006 and the amount of any such public housing agency's available administrative fees undesignated funds balance through calendar year 2007: *Provided further*, That notwithstanding the first two provisos under this paragraph, the amount of calendar year 2008 renewal funding for any agency otherwise authorized under such provisos shall be reduced by the amount of any

unusable amount (as determined by the Secretary, due to limits in this paragraph with respect to an agency's authorized level of units under contract) in such agency's net restricted assets account, in accordance with the most recent VMS data in calendar year 2007 that is verifiable and complete, which exceeds 7 percent of the amount of renewal funding allocated to the agency for the calendar year 2007 funding cycle pursuant to section 21033 of Public Law 110-5, as amended by section 4802 of Public Law 110-28:**]** *Provided further, That the amount of calendar year 2009 renewal funding for any agency otherwise authorized shall be reduced by any amount in such agency's unusable net restricted assets account (as determined by the Secretary) in accordance with the most recent VMS data for federal fiscal year 2008 that is verifiable and complete: Provided further,* That up to $50,000,000 shall be available only**[**: (1) to adjust the allocations for public housing agencies, after application for an adjustment by a public housing agency that experienced a significant increase, as determined by the Secretary, in renewal costs from portability under section 8(r) of the Act of tenant based rental assistance; and (2) for adjustments for public housing agencies with voucher leasing rates at the end of the calendar year that exceed the average leasing for the 12-month period used to establish the allocation:**]** *for additional rental subsidy due to unforseen circumstances as determined by the Secretary and for both the one-time funding and increased costs of housing assistance payments resulting from the portability provisions of the housing choice voucher program* **[** *Provided further*, That none of the funds provided under this paragraph may be used to support a total number of unit months under lease which exceeds a public housing agency's authorized level of units under contract**]**: *Provided further*, That the Secretary shall, to the extent necessary to stay within the amount specified under this paragraph,**[** after subtracting $723,257,000 from such amount,**]** pro rate each public housing agency's allocation otherwise established pursuant to this paragraph: *Provided further*, That except as provided in the last proviso, the entire amount specified under this paragraph**[**, except for $723,257,000**]** shall be obligated to the public housing agencies based on the allocation and pro rata method described above and the Secretary shall notify public housing agencies of their annual budget not later than 60 days after enactment of this Act: *Provided further*, That the Secretary may extend the 60 day notification period with the *prior* written **[**approval**]** *notice* of the House and Senate Committees on Appropriations: *Provided further*, That public housing agencies participating in the Moving to Work demonstration shall be funded pursuant to their Moving to Work agreements and shall be subject to the same pro rata adjustments under the previous proviso**[**.**]***: Provided further, that of the amounts made available under this heading for fiscal year 2009,*

[(2)**]** **[**$200,000,000**]***$150,000,000* for section 8 rental assistance for relocation and replacement of housing units that are demolished or disposed of pursuant to the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104-134), conversion of section 23 projects to assistance under section 8, the family unification program under section 8(x) of the Act, relocation of witnesses in connection with efforts to combat crime in public and assisted housing pursuant to a request from a law enforcement or prosecution agency, enhanced vouchers under any provision of law authorizing such assistance under section 8(t) of the Act, HOPE VI vouchers, mandatory and voluntary conversions, and tenant protection assistance including replacement and relocation assistance: *Provided*, That **[**the Secretary shall provide replacement vouchers for all units that were occupied within the previous 24 months that cease to be available as assisted housing due to demolition, disposition, or conversion, subject only to the availability of funds.**]** *additional section 8 tenant protection rental assistance costs may be funded in 2009 by utilizing unobligated balances, including recaptures and carryover, remaining from funds appropriated to the Department of Housing and Urban Development under this heading, the heading "Annual Contributions for Assisted Housing", and the heading "Housing Certificate Fund", for fiscal year 2008 and prior years not withstanding the purpose for which they were originally appropriated;*

[(3)**]** **[**$49,000,000**]***$48,000,000* for family self-sufficiency coordinators under section 23 of the Act**[**.**]***;*

[(4)**]** *at least $7,929,000 shall, and* up to **[**$6,494,000**]** *$9,911,250* may, be transferred to the Working Capital Fund**[**.**]***;*

[(5)**]** **[**$1,351,000,000**]***$1,400,000,000* for administrative and other expenses of public housing agencies in administering the section 8 tenant-based rental assistance program and which up to **[**$35,000,000**]***$40,000,000* shall be available to the Secretary to allocate to public housing agencies that need additional funds to administer their section 8 programs, **[**with up to $30,000,000 to be for**]** *including* fees associated with section 8 tenant protection rental assistance*, the administration of disaster related vouchers, Veterans Affairs Supportive Housing vouchers, and other incremental vouchers*: *Provided*, That no less than **[**$1,316,000,000**]***$1,360,000,000* of the amount provided in this paragraph shall be allocated for the calendar year **[**2008**]***2009* funding cycle on a basis to public housing agencies as provided in section 8(q) of the Act as in effect immediately before the enactment of the Quality Housing and Work Responsibility Act of 1998 (Public Law 105-276)*: Provided further, That the Secretary shall, to the extent necessary to stay within the amount provided under this paragraph, pro rate each public housing agency's allocation otherwise established pursuant to this paragraph: Provided further, That all amounts provided under this paragraph shall be only for activities related to the provision of tenant-based rental assistance authorized under section 8, including related development***[**.**]**;

[(6) $20,000,000 for incremental voucher assistance through the Family Unification Program**]** *$39,000,000 for Housing Assistance Payments to prevent the involuntary displacement of low-income elderly and disabled families displaced by Hurricanes Katrina and Rita after the Disaster Housing Assistance Program (DHAP) ends***[**.**]***; and*

[(7)**]** $75,000,000 for incremental rental voucher assistance for use through a supported housing program administered in conjunction with the Department of Veterans Affairs as authorized under section 8(o)(19) of the United States Housing Act of 1937: *Provided*, That the Secretary of Housing and Urban Development shall make such funding available, notwithstanding section 204 (competition provision) of this title, to public housing agencies that partner with eligible VA Medical Centers or other entities as designated by the Secretary of the Department of Veterans Affairs, based on geographical need for such assistance as identified by the Secretary of the Department of Veterans Affairs, public housing agency administrative performance, and other factors as specified by the Secretary of Housing and Urban Development in consultation with the Secretary of the Department of Veterans Affairs: *Provided further*, That the Secretary of Housing and Urban Development may waive, or specify alternative requirements for (in consultation with the Secretary of the Department of Veterans Affairs), any provision of any statute or regulation that the Secretary of Housing and Urban Development administers in connection with the use of funds made available under this paragraph (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the Secretary that any such waivers or alternative requirements are necessary for the effective delivery and administration of such voucher assistance: *Provided further*, That assistance made available under this paragraph shall continue to remain available for homeless veterans upon turn-over.

[(8) $30,000,000 for incremental vouchers under section 8 of the Act for nonelderly disabled families affected by the designation of a public housing development under section 7 of the Act, the establishment of preferences in accordance with section 651 of the Housing and Community Development Act of 1992 (42 U.S.C. 13611), or the restriction of occupancy to elderly families in accordance with section 658 of such Act (42 U.S.C. 13618), and to the extent the Secretary determines that such amount is not needed to fund applications for such affected families, for other nonelderly disabled families. **]**

PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Contract Renewals	$14,478,717	-$38,358	...	...	$391,017	$14,831,376
Administrative Fees	1,245,583	...	...	...	45,132	1,290,715
Section 8 Rental Assistance	149,300	-1,975	...	...	78,335	225,660
FSS Coordinators	47,500	...	...	...	26	47,526
Disaster Voucher Program	...	...	...	...	258,358	258,358
Veterans Affairs Supportive Housing (VASH) Program	...	...	...	...	...	...
Working Capital Fund (transfer)	5,900	...	...	...	...	5,900
Nonelderly Disabled	...	...	...	...	...	...
Family Unification Program	...	...	...	...	...	...
Disaster Displacement Assistance	...	...	...	...	...	...
Total	15,927,000	-40,333	...	...	772,868	16,659,535

PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Contract Renewals	$14,444,506	$14,705,323	-$723,257	...	$168,674	$14,150,740
Administrative Fees	1,351,000	1,340,183	...	...	44,060	1,384,243
Section 8 Rental Assistance	150,000	200,000	...	...	90,014	290,014
FSS Coordinators	48,000	49,000	...	...	47,526	96,526
Disaster Voucher Program	...	...	...	...	...	...
Veterans Affairs Supportive Housing (VASH) Program	...	75,000	...	...	...	75,000
Working Capital Fund (transfer)	6,494	6,494	...	...	...	6,494
Nonelderly Disabled	...	30,000	...	...	...	30,000
Family Unification Program	...	20,000	...	...	...	20,000
Disaster Displacement Assistance	...	...	...	...	...	...
Total	16,000,000	16,426,000	-723,257	...	350,274	16,053,017

Tenant-Based Rental Assistance
Calendar Year 2007 Enacted

	Units	Per Unit Cost	Budget Authority
Calendar Year 2007:			
Voucher Contract Renewals	NA	NA	$14,436,200,000
Administrative Fee	NA	NA	1,281,100,000
Tenant Protections	20,922	NA	149,300,000
Family Self-Sufficiency Coordinators	NA	NA	47,500,000
Working Capital Fund	NA	NA	5,900,000
Total, calendar year 2007 Tenant-Based Rental Assistance	20,922	NA	15,920,000,000 [a]

a/ Excludes $7 million provided in fiscal year 2007, but not allocated for calendar year 2007.
NA = Not Applicable.

Tenant-Based Rental Assistance
Calendar Year 2008 Enacted

	Units	Per Unit Cost	Budget Authority
Calendar Year 2008:			
Voucher Contract Renewals	NA	NA	$14,694,506,000 [a]
Administrative Fee	NA	NA	1,351,000,000
Tenant Protections	28,027	NA	200,000,000
Family Self-Sufficiency Coordinators	NA	NA	49,000,000
Working Capital Fund (transfer)	NA	NA	6,494,000
Veteran Affairs Supportive Housing (VASH) Program	NA	NA	75,000,000
Non-elderly Disabled	NA	NA	30,000,000
Family Unification Program	NA	NA	20,000,000
Total, calendar year 2008 Tenant-Based Rental Assistance	28,027	NA	16,426,000,000 [b]
Total, including rescission of $723,257,000			15,702,743,000

a/ Excludes $723,257,000 rescinded and offset from existing PHA balances (net restricted asset accounts).
b/ Actual new budget authority provided by 2008 appropriation is $16,391,000,000. The Department expects to make up the $35 million difference through carryover funds.
NA = Not Applicable.

Tenant-Based Rental Assistance
Calendar Year 2009 Request

	Units	Per Unit Cost	Budget Authority
Calendar Year 2009:			
Voucher Contract Renewals	NA	NA	$14,161,071,000 [a]
Administrative Fee	NA	NA	1,400,000,000
Tenant Protections	20,568	NA	150,000,000
Family Self-Sufficiency Coordinators	NA	NA	48,000,000
Working Capital Fund (transfer)	NA	NA	7,929,000
Veteran Affairs Supportive Housing (VASH) Program	NA	NA	75,000,000
Disaster Displacement Assistance	NA	NA	39,000,000
Total, calendar year 2009 Tenant-Based Rental Assistance	20,568	NA	15,881,000,000
Total, calendar year 2009 spending (including funds made available by offset)			16,481,000,000

a/ Excludes $600,000,000 estimated offset from existing PHA balances (net restricted asset accounts).
NA = Not Applicable.

PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
2009 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING CERTIFICATE FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	...	$3,143,427	-$1,424,141[c]	$1,719,286	$1,252,151	$2,714,636
2008 Appropriation/Request	...	1,650,000[a]	-1,250,000	400,000	400,000	2,223,000
2009 Request	...	400,000[b]	...	400,000	400,000	2,047,000
Program Improvements/Offsets	...	-1,250,000	+1,250,000	...	...	-176,000

a/ Includes $1.183 billion in anticipated recaptures for fiscal year 2008. If recaptures are insufficient, rescission will be met through other sources.

b/ Reflects anticipated recaptures for fiscal year 2009. This is required to fund Section 8 Amendments.

c/ Includes $616 million in budget authority, $639 million in contract authority, and $169 million in canceled (SY 74) funds.

Summary Statement

No new funds are requested for the Housing Certificate Fund in fiscal year 2009. In fiscal year 2005, Congress established two new accounts, Tenant-Based Rental Assistance and Project-Based Rental Assistance, to administer the activities of the Housing Certificate Fund.

In addition, the Department does not request a rescission from this account in fiscal year 2009. During 2007, HUD employed an outside contractor to conduct an extensive analysis and clean-up of all Project-Based Rental Assistance contracts. As a result of this analysis, HUD is confident that the remaining contract balances are required to meet HUD’s contract commitments.

In fiscal year 2009, HUD requests no new additional funds for Section 8 Amendments. However, the Department plans to continue making Section 8 Amendment obligations as necessary using carryover and recaptured funds. We expect these obligations to be $400 million a year for 2008 and 2009.

Initiatives

No new initiatives are proposed for this account.

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

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Contract Renewals	...	$2,834,308	$2,834,308	$970,231	...	$439,936	$439,936	...
Administrative Fees ...	...	9,057	9,057	...	...	9,057	9,057	...
Section 8 Rental Assistance	...	62	62	62	...	...	...	...
Section 8 Amendments ..	...	300,000	300,000	281,858	...	18,142	18,142	...
Recaptures Anticipated in 2008	...	...	...	...	...	1,182,865	1,182,865	...
Rescission of Prior Year Balances	-$1,424,141	...	-1,424,141	...	-$1,250,000	...	-1,250,000	...
Total	-1,424,141	3,143,427	1,719,286	1,252,151	-1,250,000	1,650,000	400,000	...

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

Section 8 Amendments	**Amount**
2007 Appropriation	...
2008 Appropriation/Request	...
2009 Request	...
Program Improvements/Offsets	...

Proposed Actions

Section 8 Amendments are required to support long-term project-based contracts that run out of funds. These long-term contracts were primarily signed in the 1970's and 1980's, for terms of up to 40 years. Estimating funding needs over such a long period of time proved to be problematic, and, as a result, many of these Section 8 contracts were inadequately funded. The current practice of renewing expiring contracts for a 1-year term helps to ensure that the problem of inadequately funded contracts is not repeated. However, older long-term contracts that have not reached their termination dates and have not yet entered the 1-year renewal cycle require amendment funds to remain financially viable and thus maintain the inventory of affordable rental housing.

In fiscal year 2009, HUD requests no new additional funds for Section 8 Amendments. However, the Department plans to continue making Section 8 Amendment obligations as necessary using carryover and recaptured funds. We expect these obligations to be approximately $400 million in 2009.

PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Justification of Proposed Changes in Appropriation Language

The fiscal year 2009 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.

[Of the unobligated**]***Unobligated* balances, including recaptures and carryover, remaining from funds appropriated to the Department of Housing and Urban Development under this heading**[,]** *and* the heading "Annual Contributions for Assisted Housing''**[**, the heading "Tenant-Based Rental Assistance'', and the heading "Project-Based Rental Assistance'',**]** for fiscal year **[**2007**]***2009* and prior years**[**, $1,250,000,000 are rescinded, to be effected by the Secretary of Housing and Urban Development no later than September 30, 2008: Provided, That if insufficient funds exist under these headings, the remaining balance may be derived from any other heading under this title: Provided further, That the Secretary shall notify the Committees on appropriations 30 days in advance of the rescission of any funds derived from the headings specified above: Provided further, That any such balances governed by reallocation provisions under the statute authorizing the program for which the funds were originally appropriated shall be available for the rescission**]***may be used for renewal of or amendments to section 8 project-based contracts and for performance-based contract administrators, notwithstanding the purpose for which such funds were appropriated: Provided* **[**further**]**, That any obligated balances of contract authority from fiscal year 1974 and prior that have been terminated shall be cancelled.

PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Contract Renewals	...	...	...	...	$2,834,308	$2,834,308
Administrative Fees	...	...	...	...	9,057	9,057
Section 8 Rental Assistance	...	...	...	...	62	62
Section 8 Amendments	...	...	...	...	300,000	300,000
Recaptures Anticipated in 2008	...	...	...	...	...	...
Rescission of Prior Year Balances	...	-$1,424,141	...	...	...	-1,424,141
Total	...	-1,424,141	...	...	3,143,427	1,719,286

PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Contract Renewals	...	...	...	...	$439,936	$439,936
Administrative Fees	...	...	...	...	9,057	9,057
Section 8 Rental Assistance	...	...	...	...	...	...
Section 8 Amendments	...	...	...	...	18,142	18,142
Recaptures Anticipated in 2008	...	...	...	...	1,182,865[a]	1,182,865
Rescission of Prior Year Balances ...	...	...	-$1,250,000	...	...	-1,250,000
Total	...	...	-1,250,000	...	1,650,000	400,000

a/ Represents anticipated recaptures necessary to meet rescission target. If recaptures are insufficient, rescission will be met through other sources.

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING OPERATING FUND
2009 Summary Statement and Initiatives
(Dollars in Thousands)

PUBLIC HOUSING OPERATING FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	$3,864,000	$1,223	...	$3,865,223	$3,865,156	$3,706,274
2008 Appropriation/Request	4,200,000	...	...	4,200,000	4,200,000	4,278,000
2009 Request	4,300,000	...	...	4,300,000	4,300,000	4,286,000
Program Improvements/Offsets	+100,000	...	...	+100,000	+100,000	+8,000

Summary Statement

The budget proposes an appropriation of $4.3 billion for the Public Housing Operating Fund for fiscal year 2009, a proration of 81 percent and an increase of $100 million over the fiscal year 2008 appropriation. This amount reflects the third year of funding under the new Operating Fund final rule based on an asset management approach. The requested level of $4.3 billion adjusts and builds upon the Congressional level of $4.2 billion in fiscal year 2008, which is a proration of 81.7 percent. This request also includes $5.94 million to support the transition of PHAs to asset management, the same level as appropriated in 2008 for this activity. These funds will enable approximately 3,200 Public Housing Agencies (PHAs) to provide decent, safe, and affordable housing for lower-income families.

A Congressional Conference Report accompanying the fiscal year 2000 Appropriation Act directed HUD to contract with Harvard University Graduate School of Design (GSD) to conduct a study of the cost to operate well-run public housing (cost study). The fiscal year 2004 Consolidated Appropriations Act (P.L. 108-99), approved January 23, 2004, required HUD utilizing the results of the cost study to undertake negotiated rulemaking to make changes to the formula governing the Public Housing Operating Fund. In response to this statutory language, HUD established a Negotiated Rulemaking Committee consisting of PHAs, tenant organizations, other interest/policy groups, and representatives of HUD. The Committee held four meetings and reached agreement on a new rule for the Operating Fund formula. The rule included two major provisions: the establishment of a new formula for determining operating subsidy and the introduction of a new private sector business model called asset management. The new Operating Fund rule requires PHAs with 250 or more units to convert to asset management. The 2008 Consolidated Appropriation Act raised the 250 unit threshold to 400 units in 2008. The action could exempt as many as 85 percent of PHAs from asset management (the 250 unit threshold exempted 74 percent of PHAs from asset management. *Although this exemption is only for 2008, HUD opposes any effort to extend the exemption to agencies with units over the 250 threshold. Asset management is the industry standard in housing and it is expected that residents and PHA management at these agencies will benefit from asset-based management.* .Asset management implements the recommendations made by the Harvard Cost Study, which include converting to a development-based subsidy and financing and shifting to a property-based model for public housing budgeting, accounting, and management.

Initiatives

The Department began funding PHAs during fiscal year 2007 under the new operating subsidy formula. In 2009, the Department will implement the third year of the new Operating Fund formula, which continues the second year of public housing's multi-year conversion to asset management. The Cost Study recommended a transition to asset management to further PHAs' focus and accountability for each individual public housing property as a valuable low rent real estate asset. In 2009, the final group of PHAs will complete their transition to project-based budgeting and accounting, aligning PHA management practices with private industry. Based upon their fiscal year cycle, PHAs began implementation of project-based accounting in fiscal year 2007 and are required to fully implement asset management by fiscal year 2011. This dramatic shift will fundamentally change how public housing is evaluated, monitored and funded.

Asset management will allow the PHAs and the Department to track and monitor all essential operations of each public housing property. This information will affect not only the basic operations of public housing, but also establishes an infrastructure to accurately assess the capital and modernization needs of each property. The Office of Public and Indian Housing (PIH) is requesting resources to ensure the implementation of asset management is accomplished in a timely manner and that the proper level of staffing is allocated in the field. The basis for additional resources for the Field Operations staffing is predicated upon the roles of asset or portfolio managers in the commercial real estate field and in the Office of Multifamily Housing. However, it is common knowledge that the PIH portfolio has more challenges to be addressed.

Since publication, on September 19, 2005, of the Final Rule on the Operating Fund Program (which includes both the new formula and the asset management provisions), the Department has undertaken a number of initiatives in support of implementation, including:

- The review and approval of new “asset management project” (AMP) groupings for the entire public housing inventory;
- The development of AMP-specific Project Expense Levels (PELs) as well as a process for appealing PELs and other formula elements;
- The publication of new financial reporting requirements and standards;
- The establishment of an application process for demonstrating successful conversion to asset management in order to stop losses between the old and new formulas (i.e., stop-loss);
- The development of PHA training (live and web-based) related to financial management;
- The implementation of a system of electronic submission and award of operating subsidies;
- The creation of an Asset Management Web-page, Help Desk and Monthly Newsletter; and
- The distribution of other related guidance materials.

The Department will be issuing guidance shortly on the implementation of the two new provisions on asset management enacted in the 2008 Consolidated Appropriation Act.

- The PHAs that own or operate 400 or fewer units may elect to be exempt from any asset management requirement; and
- The Secretary shall not impose any requirements or guidelines relating to asset management that restricts or limits in any way the use of capital funds for central office costs.

The 2009 Budget request does not extend sections 225 and 226 of the 2008 Consolidated Appropriations Act, because it considers the inclusion of these sections as an attempt to limit the benefits of asset management. As previously indicated, we maintain section 225 is applicable only to 2008, and we would oppose its inclusion in future legislation. HUD opposes section 226 because excessive central office costs have long been an issue in public housing. Under asset management, PHAs may not charge the projects more than a reasonable cost for these services. Inclusion of this section is seen as an attempt to get around this prohibition. Since PHAs still must conform to OMB Circular A-87, which requires that costs be reasonable and necessary, we do not foresee any substantial threat from it. Under section 226, we maintain that a PHA may use capital funds to supplement central office costs but only to the level determined reasonable and necessary by HUD.

The Department continues its pledge to provide guidance and assistance to PHAs in the transition to asset management, particularly in the area of web-based training and information dissemination.

In 2009, the Department will also fully implement a new Public Housing Assessment System (PHAS) under asset management. Through this new assessment system, the Department will evaluate the physical, financial, and management performance of each public housing project. (For 2008, PHAs would receive only a "transition" (PHAS score.) Implementation of this new assessment system will involve the re-tooling of many of the existing data systems in PIH.

Also for 2009, the Department intends to make accompanying changes in the Public and Indian Housing Information Center (PIC) system, which is what PHAs use to report public housing tenant, building, and unit data to HUD. These changes in PIC will allow for greater automation of subsidy processing and program monitoring.

Energy Performance Contracting

The Department spends an estimated $4 billion on energy, more than 10 percent of its budget either directly in the form of public housing operating subsidies and housing assistance payments or indirectly through utility allowances. In 2007, the Department provided a formula need of $1.712 billion in operating costs subsidies for PHA-paid utilities, which was 44 percent of the enacted amount for the operating subsidy. For 2009, the Department is including requesting $1.843 billion in costs for PHA-paid utilities, a decline from the $1.852 billion estimated for PHA-paid utilities in 2008. This request is consistent with utility expense level (UEL) component of the Operating Fund formula.

Cost savings in energy would result in additional PHA funds revenue for other important capital investments or rental assistance needs. For this reason, the Department has embraced the President's National Energy Policy. The Department is dedicated to the goal of significantly reducing energy usage in public and assisted housing and is committed to taking steps to improve the energy efficiency of Public and Indian Housing. The Department encourages PHAs to adopt Energy Star as the standard for purchasing appliances and equipment. Newly built HOPE VI projects have an energy performance rating equivalent to the standards for Energy Star Qualified Homes.

PHAs are encouraged to enter into energy performance contracts with a private entity. This private entity will perform an energy audit, provide financing for energy efficiency measures, oversee the installation of energy measures, and provide for long-term services, such as monitoring of energy usage, and training of staff and residents. In 2007, there were 117 agencies with energy performance contracts. Under this program, the consumption level is frozen for the life of the contract, and the PHA's utility consumption (for purposes of determining subsidy) is frozen during the term of the contract. The savings generated are available to the PHA to pay the contractor, depending on the terms of the contract, and for other public housing requirements. In addition, the Department provides a program to amortize loans obtained by PHAs to pay for energy saving improvements. PHAs are eligible to receive an add-on of operating subsidy in an amount equal to the savings generated from the improvements during the life of the loan. The Department is requesting $19 million of operating subsidy funding for this add-on provision in fiscal year 2009. This requested amount is an increase from the 2008 request of $18 million and the 2007 expenditure of $17 million.

The chart below reflects the Department's progress in encouraging PHAs to use energy performance contracting. Between 2000 and 2006, the amount of "guaranteed utility savings" has nearly tripled.

Guaranteed Savings

Dollars in Millions				
	2000	2002	2004	2006
V Small (<250)	$0.2	$0.2	$0.3	$0.6
Small (250-499)	0.9	1.5	1.6	2.7
Medium (500-1249)	0.8	2.1	4.5	6.5
Large (1250-6599)	7.2	10.2	13.6	20.7
V Large (>6599)	4.3	5.7	7.1	7.1
Total	13.4	19.6	27.1	37.6

The Department is also conducting exploratory work to develop a system to benchmark project utility costs to be used for general monitoring or, eventually, funding purposes. HUD has implemented a plan to streamline the processing of energy performance contracts. Finally, as part of the shift to asset management, the Department is now collecting utility consumption data on a project-by-project basis, which will help to identify high usage projects.

STRATEGIC GOALS AND OBJECTIVES

The Operating Fund is essential to achieving the Department's Strategic Goal B: Promote decent, affordable housing, and Strategic Goal E: Embrace high standards of ethics, management, and accountability. The Public Housing Operating Fund was reviewed with the Program Assessment Rating Tool (PART) in 2005 in conjunction with the Capital Fund under the Public Housing assessment. Based on the PART results, public housing was determined to have "Results Not Demonstrated." As a result, the Department is in the process of refining its strategic goals and objectives to better reflect performance-based budgeting. The Department is also simplifying its detailed, complex, and prescriptive regulations and statutes in order to improve management and performance and provide greater flexibility to PHAs transitioning to asset management; implementing project-based accounting to improve local management decisions on project management; and setting ambitious targets, timeframes, and outcome measures to improve the well being of assisted families. Linking to the transition to asset management, the Department has included a performance indicator that 16 percent of PHAs' substantially transition to asset management by fiscal year 2009. To better achieve this indicator as well as a favorable PART score, higher proration percentages are required.

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

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Operating Subsidy	$3,864,000	$1,223	$3,865,223	$3,865,156	$4,194,060	...	$4,194,060	$4,294,060
Transition to Asset Management	...	...	...	...	5,940	...	5,940	5,940
Total	3,864,000	1,223	3,865,223	3,865,156	4,200,000	...	4,200,000	4,300,000

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	61	187	191
Field	71	364	406
Total	132	551	597

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

Operating Subsidy	**Amount**
2007 Appropriation	$3,864,000
2008 Appropriation/Request	4,194,060
2009 Request	4,294,060
Program Improvements/Offsets	+100,000

Proposed Actions

The Department proposes to use $4.3 billion for operating subsidies for PHAs in fiscal year 2009, a proration of 81 percent. This budget would be the highest level of funding in the history of the program and a 2.4 percent increase over 2008. Operating subsidies are provided to PHAs to assist in funding the operating and maintenance expenses, including payments resulting from multiyear bond financing deals, of their owned dwellings in accordance with Section 9 of the United States Housing Act of 1937, as amended.

In 2009, PHAs with more than 400 units will continue the transition to asset management and conversion to project-based accounting and project-based management. PHAs will be funded via individual asset management projects for the second time in 2009 (prior to 2008, PHAs were funded at the entity wide level, not the project level). The intent of this funding approach is to make the relationship to funding and property management outcomes more transparent. PHAs' performance using asset management started under the Public Housing Assessment System in 2008 based on PHAs' fiscal year cycles.

HUD will also provide a 2 percent holdback of the appropriated amount (final rule specifies the Operating Fund program may hold-back up to 2 percent) for appeals, but anticipates successful appeals of 1 percent in 2009. The 2009 budget request reflects the requirements of operating subsidies for fiscal year 2009 only. HUD has continued to provide guidance and assistance on asset management implementation to PHAs through a variety of methods. PHAs have attended meetings with HUD to discuss key implementation issues. A number of Notices, both informational and program-specific, have been provided to assist PHAs in the steps needed to complete the transition to asset management. The Assistant Secretary for PIH has gone on-site to a number of PHAs to discuss their specific issues and challenges in the transition and has met numerous times with representatives of industry groups to solicit their input and discuss their member's issues. Additionally, training on various components of asset management has been provided to HUD staff members through webcasts as well as on-site sessions to ensure that they are prepared to assist PHAs in their jurisdictions. HUD staff has participated in industry-sponsored training sessions to provide information and obtain feedback from PHAs that are implementing asset management.

The Department is concerned regarding the weakening of sound asset management requirements in the 2008 Consolidated Appropriations Act. The Department proposes that the 400 unit exemption from asset management by applied for only 1 year, 2008, and not be re-enacted in 2009. At 400 units, only 156 percent of PHAs must comply with asset management. The Department believes the 250 unit thresholds, which exempts 746 percent of PHAs, is the right trade off to gain the benefits of asset management for larger PHAS. The Department will propose the repeal of the provision that prohibits the Secretary from imposing any requirements or guidelines on the use of capital funds for central office costs. The Department believes controlling central office costs in large PHAs (above 250 units) will be a key benefit of asset management. This provision, by creating a huge loophole, will undermine the Department's efforts to imposeing reasonable percentages for central office costs. We believe controlling these costs is vital to demonstrate an efficient program to the public and assure that a disproportional amount is not spent on overhead but are spent on program delivery.

Public Housing Operating Fund

The following table reflects the funding for the primary elements comprising the proposed fiscal year 2009 budget request.

Description	ACTUAL* 2007	ESTIMATE 2008	ESTIMATE 2009
	(Dollars in Millions)		
Non Utility Expense Level (PEL)	$4,459	$4,567	$4,722
Utilities	1,716	1,852	1,843
Less: Tenant Income	-2,276	-2,253	-2,230
Public Housing Operating Fund Base	3,899	4,166	4,335
MTW Alternative Formula Grant, PHA's not in Base	484	496	510
Public Housing Add-ons			
Elderly/Disabled Coordinators	15	15	16
Resident Participation	25	26	26
Energy-Add On for Loan Amortization	17	18	19
Payments in Lieu of Taxes	95	99	103
Cost of Independent Audit	17	18	19
Asset Management Fee	44	43	43
Information Technology Fee	27	26	26
Asset Repositioning Fee	52	54	56
Mutual Help and Turnkey Units	1	1	1
Estimated Appeals	0	21	21
Less estimated savings from:			
Transition	-42	149	128
Subtotal: Operating Fund Base	4,634	5,132	5,303
Less Rescission	$0	$0	$0
Unfunded Proration	-$770	-938	-1,008
Total Funded	3,864	4,194	4,294
Set-asides Within the Operating Fund:			
Asset-Based Management Transition Fund	$0	6	6
Total Budget Year Enacted/Request:	3,864	4,200	4,300
Carryover	$1	0	0
Total Resources Available	3,865	4,200	4,300
Proration Percentage	83.4%	81.7%	81.0%

*Actuals are based on HUD-52723 data as of September 30, 2007 program closeout.

Specific factors affecting the fiscal year 2009 operating subsidy estimates follow.

ASSUMPTIONS AND QUALIFICATIONS

1) The Public Housing Operating Fund subsidizes PHA's principally on the status of a PHA's units (i.e., eligible units months). The following table shows the number of units in months upon which subsidy will be paid.

Unit Months	2007	2008	2009
Eligible Unit Months (Non-MTW)	12,807,344	12,679,271	12,552,478
Eligible Unit Months (MTW)	1,014,408	1,004,264	994,221
Eligible Unit Months (Total)	13,821,752	13,683,534	13,546,699
% Change		-1.0%	-1.0%

2) The Public Housing Operating Fund uses two inflation factors. These inflation factors use the most recent latest OMB economic assumptions in the Budget and are shown below.

Factor	2007	2008	2009
Non-Utility Inflation Factor	1.0358	1.0348	1.0398
Utility Inflation Factor	0.9954	1.0903	1.0054

3) Appeals are estimated at 0.5 percent for 2007, 2008, and 2009.

1. Economic Assumptions. The fiscal year 2009 estimate incorporates the most recent economic assumptions about inflation, and presumes an increase in non-utility costs and a decrease in utility rates from the 2008 estimate. The calculation of individual PHA subsidy formula requirements includes the use of a non-utility inflation factor, which is a weighted average percentage increase in local government employee compensation and non-wage expenses. Under the new Operating Fund formula, tenant income is frozen at the fiscal year 2004 level for a 3-year period beginning with the fiscal year 2007 formula. Hence, PHAs are permitted to retain 100 percent of the difference between the rent collected in fiscal year 2004 versus the rents actually collected in fiscal years 2007, 2008, and 2009. Tenant income is calculated using the 2004 PHA financial data schedule (FDS) submissions divided by the unit months leased. This calculation imputes tenant rent for vacant units. The new formula provides for funding of a limited number of vacant units. Both fiscal years 2006 and 2007 tenant income assumes a certain level of units under management. It is estimated that, for fiscal years 2008 and 2009, there will be about a 1 percent total decrease in the number of eligible unit months under management.

2. Public Housing Add-ons. The fiscal years 2008 and 2009 estimate reflects additional formula expenses that are not included in the Public Housing Operating Fund Base. These add-ons were included in the Negotiated Rulemaking that established the new needs formula that has been used since 2007.

   a. Elderly/Disabled Service Coordinators. The estimate reflects funding for the annual renewal of the public housing elderly and/or disabled service coordinators.

   b. Resident Participation. PHAs are eligible to receive $25 per occupied unit on an annual basis for this function. These funds will be used to support existing as well as new initiatives associated with resident participation.

c. Energy Add-On for Loan Amortization. As an incentive toward energy conservation, this add-on covers the loan principal and interest payments of the energy conservation measures incurred by a PHA in accordance with regulations.

d. Payments in Lieu of Taxes (PILOT). Costs for PILOT were recognized in the Public Housing Non-Utility Expense Level (AEL 2006) for fiscal year 2006. PILOT costs are considered as an add-on under the new Operating Fund formula.

e. Cost of Independent Audit. PHAs are eligible for funding for the expense of auditing their Operating Fund program in accordance with Generally Accepted Accounting Principles (GAAP). These costs are an add-on under the new rule.

f. Asset Management Fee. PHAs with at least 250 units are eligible to receive a $4 Per Unit Month (PUM) asset management fee. PHAs with less than 250 units that elect to transition to project-based management are eligible for a $2 PUM asset management fee.

g. Asset Repositioning Fee. PHAs that transition public housing units out of their inventory are eligible for an asset repositioning fee. This fee supplements costs associated with administration and management of demolition or disposition, tenant relocation, and minimum protection and services associated with such efforts.

h. Information Technology (IT) Fee. PHAs are eligible for a $2 Per Unit Month funding for costs attributable to information technology. This fee supplements higher information technology expenses associated with the management of public housing.

i. Transition saving/cost. These savings and costs result from the new regulation transition funding that provides for a gradual increased formula share for PHAs that gain funding and gradual decreases for PHAs that receive lower formula share relative to the interim formula.

j. Estimated Appeals. The new Operating Fund rule provides that HUD will hold-back up to two percent of the appropriation to address appeals. The Department estimated actual appeals of 0.5 percent of appropriated funds in 2007, 1 percent in 2008, and 1 percent in 2009. Estimated is shown as $0 because adjustments were made to the formula element eligibility amount before closeout of 2007. The successful appeals are accounted for in the Operating Fund Base.

PHA REVENUE AND EXPENDITURE PATTERN

Based on fiscal year 2005 and 2006 historical data, the table below represents an estimated pattern of PHAs expenditures from revenue sources such as rental income, operating subsidy, investment, and other income. Such expenditures may vary substantially for individual authorities.

Public Housing Authorities' Operating Revenues
(Dollars in Millions)

Category	Annual Revenue	Percent of Total
Operating Subsidy	$4,294	60
Dwelling Rent	2,568	36
Interest Income	124	1
Other Income	204	3
Total Revenue	7,190	100

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

Category	Annual Expenditures	Percent of Total
Utilities	$1,730	24
Administration	2,076	29
General Expenses	595	8
Maintenance	2,391	33
Tenant Services	206	3
Protective services	192	3
Total Operating Expenses	7,190	100

Definitions

Operating Subsidies. Includes operating funds received during the year.

Dwelling Rental. Includes tenant rent.

Investment Income. Includes income from investments.

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

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

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

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

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

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

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

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

Transition to Asset Management	**Amount**
2007 Appropriation	...
2008 Appropriation/Request	$5,940
2009 Request	5,940
Program Improvements/Offsets	...

Proposed Actions

The Department is requesting $5.94 million in fiscal year 2009 to provide technical assistance to PHAs related to the transition and implementation to asset management in public housing, including training and system development. Beginning in 2007 and continuing through 2011, all PHAs of 250 or more units are required to convert to asset management. In 2008, a higher exemption of 400 units was enacted. In 2009, this budget seeks a return to the former 250 unit exemption, as agreed in the Negotiated Rulemaking. This conversion will reshape almost all business processes associated with the public housing program. The requested funding will be used to provide technical assistance and training to PHAs as they transition to asset management, particularly in the areas of budgeting, financial reporting, and management.

In this third year of conversion to asset management, PHAs will convert to project-level financial statements but also abide by rules regarding reasonable management fees. In 2009, the Department plans to continue implementation of a new Public Housing Assessment System (PHAS) to better reflect the shift to asset management. Significant changes continue in the field office oversight structure to support the conversion to asset management.

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING OPERATING FUND
Performance Measurement Table

Program Name: **OPERATING FUND**

Program Mission: The Public Housing Operating Fund provides operating subsidy payments to approximately 3,200 PHAs with a total of over 1.2 million units under management. Operating subsidies are provided to PHAs to assist in funding the operating and maintenance expenses of their owned or managed dwellings.

Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
The conversion to asset management will be certified for 50 percent of PHAs with 250 or more units who applied for assessment.	Real Estate Assessment Center reporting	NA	NA	5%	50%
The share of public housing units that meet HUD-established physical standards will be 85 percent.	Real Estate Assessment Center's (REAC) Physical Assessment Subsystem	85%	85.7%	85%	85%
The high incidence of program errors and improper payments in HUD rental housing assistance programs will be reduced.	Periodic PD&R, PIH & Housing Reporting	Improper payments will be no more than 5.0% of total payments	5.5%	Improper payments will be no more than 5.3% of total payments	Improper payments will be no more than 4.5% of total payments

NA = Not Applicable.

Explanation of Indicators

Indicator: The conversion to asset management will be certified for 50 percent of PHAs with 250 or more units who applied for assessment.

The Department is implementing asset management to ensure efficiency in the management of PHAs. Asset management includes project-based budgeting, project-based accounting, and project-based management. Implementation of asset management will lead to better management and oversight of public housing by providing greater information about the operating costs and performance levels of each public housing project. It will also facilitate future investment in public housing and private entities. The new Operating Fund rule, issued September 19, 2005, requires all PHAs with 250 or more units to convert to asset management by fiscal year 2011.

Public Housing Operating Fund

Funding provided through the Operating Fund Program is used by PHAs to assist in funding the operating and maintenance expenses of their own dwellings, in accordance with Section 9 of the U.S. Housing Act of 1937, as amended. For fiscal year 2007, the Public Housing Operating Fund Program provided $3.8 billion of operating subsidy. This funding, which is based on the appropriation from Congress, represents 83.4 percent of the PHA's operating subsidy eligibility. The proration of funding given to the PHAs is below the average of recent years because the new formula has a higher estimate of needs than the old formula. During 2007 and 2008, the Budget for the Operating Fund increased by a compound rate of 8 percent annually. The implementation of asset management should somewhat offset this unfavorable trend.

The Department is using a new formula, as agreed in the Negotiated Rulemaking, to provide operating subsidies based on the profile and needs of each public housing project. The profiles will be based on size, location, age of facilities, and its occupancy. Also in keeping with the Harvard Study and negotiated rulemaking on the Operating Fund Program, all PHAs of 250 or more units (400 units in 2008) are required to convert to asset management, including project-based budgeting, accounting, and management. Under asset management, PHAs will monitor performance on a project-level versus on a PHAwide basis. This greater focus will improve the PHAs ability to address operating issues and thus improve the effectiveness of resources which in turn improve the physical quality of the public housing stock. PHAs have until 2011 to complete the transition to asset management; however, project-based budgeting and accounting began in 2007 (for PHAs with July fiscal years). The establishment of project-based accounting will help to ensure the efficient and timely delivery of the operating subsidy. Since fiscal year 2007 is the first year of the transition to asset-based accounting, no baseline data are available.

As stated previously, PHAs with fiscal years beginning July 1, 2007, must begin their fiscal years with project-based budgets and are required to submit to HUD a certification of compliance. At year-end, they must include project-level financial statements along with their Financial Data Schedule submission to the Real Estate Assessment Center's Public Housing Financial Assessment Subsystem (i.e., project-based accounting). Unaudited statements are due within 2 months and audited statements within 9 months after close of the fiscal year. PIH exceeded its goal to have project-based accounting implemented at 20 percent of PHAs in fiscal year 2007, with 30 percent actually implemented. By April 1, 2008, an additional 75 percent (cumulatively, approximately 100 percent) of PHAs will have implemented project-based budgeting and accounting.

The Department is in the process of overhauling its systems, processes, training and operations in order to ensure that PHAs comply with the conversion to asset management. Increased responsibility due to the implementation of asset management will put a strain on resources. Without adequate budgetary resources, PIH will not be able perform the following oversight functions, all of which are essential for the implementation of asset management:

- Accept project-level financial statements from PHAs
- Conduct project-level property inspections
- Conduct on-site management reviews
- Accept project-level operating subsidy submissions from PHAs
- Perform project-based performance assessments

Due to the Department's streamlining of performance goals, this indicator has been revised from 5 percent of PHAs with 250 or more units converting to asset management in fiscal year 2008 to the current indicator for fiscal year 2009.

Indicator: The share of public housing units that meet HUD-established physical standards will be 85 percent.

HUD requires PHAs to inspect and maintain public housing to ensure compliance with HUD-established standards for physical condition or with local codes if they are more stringent. This indicator tracks the proportion of units in public housing facilities that meet these physical standards, helping the Department to monitor its success in improving the physical conditions in public housing. This reflects the commitment in the President's Management Agenda to steadily improve the physical quality of public housing, for which

Public Housing Operating Fund

HUD's strategic Plan established a goal of 87.5 percent by fiscal year 2011. The Department revised the fiscal year 2007 target to 85.0 to reflect actual resources available for improvements and maintenance, and the multi-year effort to convert the PHAs to project-based asset management by fiscal year 2011. Implementation of asset management will lead to better management and oversight of public housing by providing greater information about the operating costs and performance levels of each public housing project.

The target was exceeded when compared to the revised goal for fiscal year 2007. In fiscal year 2007, 85.7 percent of public housing units met or exceeded HUD's physical condition standards, which is not statistically different from to 85.8 percent in fiscal year 2006. This performance was achieved in spite of delay in the commencement of inspection activities caused by delays in the federal budget. Adequateresources are required for meeting this goal, particularly during the transition to asset management. The two main budgetary resources come from the Public Housing Operating Fund and Capital Fund programs. In fiscal year 2007, the funding for PIH Capital Fund was $2.4 billion, a decrease from $2.7 billion in fiscal years 2003 and 2004. The Operating Fund was $3.9 billion in fiscal year 2007, an increase from $3.5 billion in previous years. The combined operating and capital assistance of $6.3 billion represented 17.5 percent of HUD's discretionary budget authority of $37.5 billion in fiscal year 2007, and reflected the priority and significant amount of resources allocated to this effort. However, it is important to note that although there was an overall increase in appropriations for the Operating Fund, the increase was not enough to maintain the same level of prorated funding for fiscal year 2007, which was 83.4 percent of eligibility determined by the funding formula, as compared to a proration of 86.0 percent in fiscal year 2006. The real reduction in the Capital Fund, coupled with the reduced proration in the Operating Fund, had an adverse affect on the PHAs' ability to maintain the physical standards of the properties.

Indicator: The high incidence of program errors and improper payments in HUD rental housing assistance programs will be reduced.

The rental housing assistance programs (public housing, Housing Choice Vouchers, and project-based assistance programs) constitute HUD's largest appropriated activity, with over $27 billion in annual expenditures. There are three major sources of error in these complex programs:

- Program administrator error: the program administrator's failure to properly apply income exclusions and deductions and correctly determine income, rent, and subsidy levels;
- Tenant income reporting: the tenant beneficiary's failure to properly disclose all income sources; and
- Billing error: errors in the billing and payment of subsidies between third party program administrators and HUD. Billing errors are discrepancies between the proper subsidy level (based on the actual rent charges) and the amount that HUD is actually billed.

The goal for the fiscal year 2007 reporting period (based on fiscal year 2006 data) was not met. The fiscal year 2006, goal was 5.0 percent, and the Improper Payments study completed in fiscal year 2007 shows that HUD's Improper Payments rate for fiscal year 2006 was 5.5 percent. This slight increase in erroneous payments, as a percentage of total program payments, was primarily due to increases in the level of tenant income reporting errors of approximately $26 million compared to the level in the prior study. This increase was primarily attributable to three factors:

1) Revised Research Methodology. A revised research methodology was implemented in the fiscal year 2007 study. The revisions were recommended to take advantage of the capabilities of the Enterprise Income Verification System, and required third party verification of income in instances where an income source was evident in quarters adjacent to the quarter being reviewed. These revisions broadened the rules used to identify unreported sources of income in the database, thereby increasing the number of potential candidates with underreported income which required more third party verifications;

2) Increased Verification Response Rates. Employer response rates (i.e., third party verification rates) increased from the fiscal year 2006 study to the fiscal year 2007 study, which provided more complete information on which to determine and extrapolate unreported sources of income; and

3) Enterprise Income Verification Implementation and Use. The implementation of this verification tool to HUD's Project-Based Owners was delayed until fiscal year 2008. Additionally, due to a need for training and a change in business models, HUD's Public Housing Agencies did not fully incorporate the use of the Enterprise Income Verification system into their day-to-day operations during fiscal year 2006. HUD believes that the general downward trend in tenant income error will continue as the result of an improved methodology for reviewing income discrepancies identified through computer matching and third party verification to better determine actual cases of underreported income affecting subsidy levels. The reduction will also be facilitated by: technical assistance and training to minimize administrator errors; implementation of the Enterprise Income Verification system in multifamily housing; and approval of a proposed rule, which was published in fiscal year 2007 and which is planned for final implementation in late fiscal year 2008, that will mandate use of the Enterprise Income Verification system.

HUD revised the fiscal year 2007 goal based on the aforementioned change in research methodology, the increase in third party verification response rates, and the delay in the Enterprise Income Verification implementation for HUD's Project-Based Owner Administered housing until fiscal year 2008, coupled with the need to improve PHA usage of the capabilities of the Enterprise Income Verification system. HUD believes that the goals for fiscal year 2007 and beyond are realistic and achievable. Overall, HUD has reduced its baseline erroneous rental assistance payment estimates of $3.4 billion by over 55 percent since 2000. The goal for fiscal year 2009 is to reduce the actual improper payment rate to 2.5 percent of total annual program payments.

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

The fiscal year 2009 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 *2009*[2008] 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)), *$4,300,000,000*[$4,200,000,000]; of which $5,940,000 shall be for competitive grants and contracts to third parties for the provision of technical assistance to public housing agencies related to the transition and implementation of asset-based management in public housing: Provided, That, in fiscal year 2009[2008] and all fiscal years hereafter, no amounts under this heading in any appropriations Act may be used for payments to public housing agencies for the costs of operation and management of public housing for any year prior to the current year of such Act: Provided further, That no funds may be used under this heading for the purposes specified in section 9(k) of the United States Housing Act of 1937. (Department of Housing and Urban Development Appropriations Act, 2009.)

Explanation of Changes

No change.

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING OPERATING FUND
Crosswalk of 2007 Availability
(Dollars In Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Operating Subsidy	$3,864,000	...	...	...	$1,223	$3,865,223
Transition to Asset Management	...	...	...	...	...	...
Total	3,864,000	...	...	...	1,223	3,865,223

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING OPERATING FUND
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Operating Subsidy	$4,194,060	$4,194,060	...	...	...	$4,194,060
Transition to Asset Management	5,940	5,940	...	...	...	5,940
Total	4,200,000	4,200,000	...	...	...	4,200,000

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
2009 Summary Statement and Initiatives
(Dollars in Thousands)

PUBLIC HOUSING CAPITAL FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	$2,438,964	$334,733[a]	-$7,585	$2,766,112	$2,604,865	$3,071,719
2008 Appropriation/Request	2,438,964	159,971[b]	...	2,598,935[c]	2,438,964	3,022,475
2009 Request	2,024,000	144,000	...	2,168,000[d]	2,024,000	2,959,000
Program Improvements/Offsets	-414,964	-15,971	...	-430,935	-414,964	-63,475

a/ Excludes $6.5 million of expired funds as of October 1, 2006.

b/ Excludes $1.3 million in expired funds.

c/ Includes $16.5 million in Working Capital Fund transfers and $472 thousand in recaptures.

d/ Includes $14.6 million in Working Capital Fund transfers.

Summary Statement

The Public Housing Capital Fund is a comprehensive, formula-driven program that supports public housing capital and management improvement activities. For fiscal year 2009, the Department is requesting $2.02 billion for the Public Housing Capital Fund to address the needs of the public housing portfolio. Of the total amount requested, $1.9 billion will assist Public Housing Authorities (PHAs) in carrying out rehabilitation and modernization activities. In addition, $7.4 million is requested for public housing technical assistance; $10 million to support the cost of administrative and judicial receiverships or other intervention; a minimum of $14.6 million for the development and maintenance of information technology systems; and $15.3 million for the financial and physical assessment support for public housing; and $37.6 million for Resident Opportunities and Supportive Services (ROSS) program.

The Public Housing Capital Fund protects and enhances a tremendously valuable affordable housing resource, which serves approximately 1.2 million families with limited income. Of those families, 32 percent are elderly and 20 percent are disabled. It is estimated that the value of the public housing inventory is $90 billion, and more than half of public housing units were constructed prior to 1970. Without this inventory, more families will be at risk of facing possible worst case housing needs and will be further at risk of homelessness. The investments securitized as part of this program are projected to improve the percentage of projects that meet uniform physical condition standards.

The overall level of funding requested would provide resources to address the estimated $2 billion annual capital accrual needs of the public housing inventory, resulting from the 1998 modernization needs study conducted by the Department. Since that time, the backlog of capital needs for public housing has been reduced through demolitions of more than 157,000 of the most distressed public housing stock as well as modernization and redevelopment of several hundred thousand units. A mandatory conversion rule has been implemented that would greatly accelerate the demolition of units beyond repair. In fiscal year 2007, 85.7 percent of public housing units met HUD’s physical standards, as opposed to 82 percent in 2001. The Department is in the process of conducting a new capital needs study to obtain a more recent estimate of the public housing backlog.

Public Housing Capital Fund

Initiatives

Pursuant to Sections 9 and 30 of the United States Housing Act of 1937, the Department continues to expand the Capital Fund Financing Program (CFFP), 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 otherwise would be postponed well into the future. As of December 2007, HUD has approved 106 transactions in which a total of 186 PHAs are participating (some of these transactions include pools of multiple PHAs). The total amount of loan and bond financing approved through December 2007, approximates $3.06 billion.

A February 2006 review by Standard and Poor's reaffirmed the top quality investment-grade ratings for the CFFP program. The S&P results follow: "A February 2006 Standard and Poor's Rating Servcies review of its 22 public housing authority capital fund financing program (CFFP) ratings indicates strong overall performance, but the trend of declining Congressional appropriations to the program warrants continued monitoring. Ratings range from 'AAA'(bond insured) to 'A,' and all reviews to date have resulted in affirmations. While debt service coverage (DSC) is still strong at an average of 4.62x, many issues show declining coverage due to Federal cuts in modernization funds during the past few years."

The CFFP has evolved such that PHAs are further leveraging their Capital Fund dollars by combining CFFP with Low-Income Housing Tax Credits (LIHTC). PHAs are using LIHTC to support modernization (primarily through the use of 4 percent tax credit transactions) for modernization and to support new development (primarily through the use of 9 percent tax credit transactions). Depending upon the specifics of the transaction, LIHTCs can provide between 25 percent and 75 percent of the total development costs.

Strategic Goals and Objectives

The Public Housing Capital Fund is essential to achieving the Department's Strategic Goal B: Promote decent, affordable housing. The Capital Fund was PARTed in 2005 in conjunction with the Operating Fund under the Public Housing assessment. Based on the PART, public housing was determined to have "Results Not Demonstrated." This determination indicates that the program is "not performing," and the reasons cited were:

- The program's purpose in delivering housing is clear; however, the role of public housing in promoting progress toward self-sufficiency is less clear.
- The design of the program is overly prescriptive and lacks incentives for tenants and local management to maximize dollars spent. Costs are paid by the Federal government (no cost share with State/locals) by formula.
- The program lacks efficiency measures and ambitious targets, timeframes, and outcome measures for the well being of assisted families.

Public Housing Capital Fund

In response to the public housing PART score, the Department is assessing and evaluating its methodology for allocating capital funds and addressing the modernization needs of the public housing portfolio. The Department is planning to establish a baseline of modernization need, after which, the Department will establish annual performance plan goals requiring that for each dollar allocated to PHAs under the Capital Fund, there will be a commensurate reduction in modernization need. This goal will contribute to the Department's strategic goal and Presidential Management Objective of promoting decent affordable housing. The Department intends to establish a performance incentive that will reward PHAs that achieve the greatest reduction in modernization need with the lowest investment in Capital Fund dollars, after adjusting for local market conditions. This performance incentive will include a relative increase in Capital funding for PHAs that excel in this area and will be tracked.

The Department is in the process of simplifying its detailed, complex, and prescriptive regulations and statutes. This move will improve management and performance and provide flexibility to PHAs transitioning to asset management; implementing project-based accounting to improve local management decisions on project management; and setting ambitious targets, timeframes, and outcome measures to improve the well being of assisted families.

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

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Formula Grants	$2,353,234	$186,910	$2,540,144	$2,493,865	$2,327,452	$50,076	$2,377,528	$1,939,038
Emergency/Disaster Reserve	16,825	1,408	18,233	3,000	18,500	16,803	35,303	...
Technical Assistance ..	7,838	36,580	44,418	34,000	12,000	14,156	26,156	7,420
Resident Opportunities and Supportive Services	37,569	75,591	113,160	50,000	40,000	62,672	102,672	37,620
Administrative Receivership	8,732	4,631	13,363	9,000	8,820	4,724	13,544	10,000
Working Capital Fund ..	10,890	...	10,890	...	16,847	...	16,847	14,577
Neighborhood Networks .	...	25,726	25,726	15,000	...	11,338	11,338	...
Financial and Physical Assessment Support ...	...	...	...	...	15,345	...	15,345	15,345
Tenant Opportunity	-3,709	3,835	126	...	...	150	150	...
Public Housing Amendments	...	52	52	...	...	52	52	...
Total	2,431,379	334,733	2,766,112	2,604,865	2,438,964	159,971	2,598,935	2,024,000

NOTE: “2007 Carryover Into 2008” does not include $1.3 million in expired funds.

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	134	87	92
Field	213	146	162
Total	347	233	254

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

Formula Grants	**Amount**
2007 Appropriation	$2,353,234
2008 Appropriation/Request	2,327,452
2009 Request	1,939,038
Program Improvements/Offsets	-388,414

Proposed Actions

The Department proposes $1.9 billion for Public Housing Capital and Management Activities Formula Grants in fiscal year 2009. This amount will assist PHAs in addressing capital needs of the public housing inventory. Given the budgetary challenges of PHAs in modernizing their portfolios and transitioning to asset management, more and more PHAs are using Capital Funds towards operations. Since 2000, PHAs have flexed more than $1.7 billion of capital funds for operations, with an average budgeted amount of $250 million per year. This means that even fewer dollars are being spent on modernization needs.

The Department has issued some guidance concerning portions of the Quality Housing and Work Responsibility Act of 1998 (QHWRA). Changes to the Capital Fund program regulations that revised the Capital Fund Formula were published in 2000 and, in 2003; changes related to sanctions for failure to obligate and expend capital funds on time were published. The Department is developing a proposed rule for the CFFP and a proposed rule to cover the remaining aspects of the QHWRA revisions not covered in the earlier rules or in the pending Capital Fund Financing Program rule. In 2007, the Department published the proposed comprehensive CFFP rule to formalize the CFFP program. The Department expects to publish the final CFFP rule during the summer of 2008.

PROGRAM DESCRIPTION AND ACTIVITY

The Capital Fund provides funds annually via a formula to approximately 3,200 PHAs across the country. PHAs may use Capital Fund grants for development, financing, modernization, and management improvements. One successful program initiative within the Capital Fund is the CFFP, which authorizes PHAs to borrow funds conditioned on a promise to pay the debt service from Capital Fund grants.

The 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.

The Department reports to Congress quarterly on PHAs' obligations and expenditures and plans to continue monitoring them. The Department 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.

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

Emergency/Disaster Reserve	**Amount**
2007 Appropriation	$16,825
2008 Appropriation/Request	18,500
2009 Request	...
Program Improvements/Offsets	-18,500

Proposed Actions

The Department is not requesting funding for capital needs resulting from emergencies and natural disasters in fiscal year 2009. This change is based on the Department's recent experience that it is impossible to predict the need for emergency and natural disaster funding and that it creates confusion for the Department to request such funding because other agencies within the Federal Government receive separate appropriations to respond to natural disasters. In order to avoid potential redundant appropriations, PHAs should not have a potentially inadequate set-aside in the Capital Fund but, rather, should have access to the same funding that other public entities have to receive disaster funding from the Federal Emergency Management Agency under the Robert T. Stafford Relief Act. The Department did not utilize Emergency/Disaster funding in 2007.

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

Technical Assistance	**Amount**
2007 Appropriation	$7,838
2008 Appropriation/Request	12,000
2009 Request	7,420
Program Improvements/Offsets	-4,580

Proposed Actions

The Department proposes $7.4 million for Technical Assistance and Intervention funds in fiscal year 2009. These funds are used in accordance with 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; data collection and analysis; and training and technical assistance for PHA employees and residents.

The Department continues to reduce large carryover balances in this account. In trying to further reduce the carryover balances, the Department faces challenges due to the timely approval of the Department’s Technical Assistance Plan. For fiscal year 2007, the Plan was approved in May, giving the Department only 4 months to obligate new appropriations. Carryover funds were used for several technical assistance initiatives, including the Comprehensive Compliance and Monitoring Initiative Training, Physical Inspections, and independent assessments at housing authorities.

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

Resident Opportunities and Supportive Services	**Amount**
2007 Appropriation	$37,569
2008 Appropriation/Request	40,000
2009 Request	37,620
Program Improvements/Offsets	-2,380

Proposed Actions

The Resident Opportunity and Self-Sufficiency (ROSS) program, which provides funding to public housing agencies, tribes, tribally designated entities, resident groups, and non-profit resources is focused on economic self-sufficiency and independent living for the elderly and persons with disabilities. The Department is requesting $37.6 million for ROSS in fiscal year 2009. In prior years, ROSS funds have not been obligated timely, and the statutory goal of providing 25 percent of the funds to resident organizations has not been met because the applicants did not submit eligible applications. In fiscal year 2006, HUD awarded nearly $50 million in 315 grants to provide services to public housing residents. However, less than 1 percent of the awarded funds were to resident organizations. The targeted groups often lack the expertise to submit a qualified application and have difficulty securing matching fund requirements.

During the past year, the Department has aggressively pursued the timely obligation and expenditure of ROSS funds and plans to award the entire carryover balance of more than $60 million during the first half of fiscal year 2008. In 2007, $62 million was made available through ROSS for self-sufficiency activities. The program office continues to address challenges that applicants face in meeting some of the Notice of Funding Availability (NOFA) process requirements in order to be able to grant the entire amount of funds available. In addition to making changes to the NOFA and explaining in depth those changes in a HUD webcast, staff attended eleven State and Regional Housing Conferences and explained NOFA requirements, particularly those items which applicants had failed in prior years.

For fiscal year 2009, the Department anticipates minimal carryover due to the Department’s proposed restructuring of the ROSS program. To better align with the Department’s priorities and expedite obligation of funds through the competition, HUD will redesign the ROSS program to no longer provide funding for the direct delivery of services, but instead to fund the salaries of Service Coordinators. The Service Coordinators’ role is to leverage resources from community partners and connect residents to existing services that will help residents move along the spectrum of self-sufficiency––from basic skills to homeownership. For 2009, HUD plans to streamline ROSS into two programs: Public Housing Family Self-Sufficiency and Elderly and Family. Funding under the Elderly and Family Program will be limited to the salaries of coordinators, as is currently done for the Self Sufficiency Program, and would not be provided for services. Award determinations will be based upon the availability of service providers in the community, the renewal of existing approvable programs, the Congressional mandate to provide 25 percent of funding to resident organizations, and the demonstrated capacity of applicants to obtain and coordinate a high quality program of supportive services. The Department also requests a legislative change to eliminate the current requirement for matching funds for coordinators. Other planned improvements include providing funding for a 3-year program (applicants can apply only once every 3 years) and automatic renewal of current qualifying participants. These changes will reduce the high program overhead costs for applicants and HUD.

As HUD moves to Asset Management, it recognizes that “good” management extends beyond the physical up-keep of property. Stewardship of the property and attention to human needs go hand-in-hand towards successful, thriving public housing. In fact, it has been shown that PHAs with supportive services programs improve their own cost effectiveness. Self-sufficiency programs benefit occupancy and rent collection and reduce evictions and maintenance costs.

There are several other benefits to the new program structure:

- The Service Coordinator only model makes efficient use of the available funds so that over the course of 3 years, more residents across the country will receive the benefits of services coordination;
- Limit funding to the cost of coordinators;
- Eliminate the 25 percent matching requirement for coordinators;
- The streamlined application process will allow HUD to expedite the obligation process so that grantees can access the funds more rapidly and will result in lower overhead costs for HUD to administer the competition;
- No distinction between family and elderly – one program;
- Convert to 3-year funding for each grant;
- Redesigned program would simplify the application process to match the statutory requirements; and
- An original intent of Congress was to provide a portion of the funds to Resident Associations to assist with self-sufficiency. The change in program structure and application will allow more Resident Associations to successfully apply for and implement a Service Coordinator program.

The Public Housing Family Self Sufficiency (PH FSS) program is also funded from this appropriation. PH FSS is a long-running HUD program that is similar to the redesigned grant above, but also includes an escrow account for residents, which has been shown to be a highly effective way to save for higher education or a down payment on a home. Since 2004, the program was funded at $9 to $10 million annually. In 2007, $12 million was made available in new and carryover funds. As a result, 231 applications were processed and 203 Public or Indian Housing Authorities were granted one or more FSS coordinators for a total of $11.6 million. The refined PH FSS program will have the following characteristics:

- Eligible funding activities limited to coordinator salaries;
- Automatically renew grantees meeting established criteria; and
- Funded through operating subsidy add-on.

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

Administrative Receivership	**Amount**
2007 Appropriation	$8,732
2008 Appropriation/Request	8,820
2009 Request	10,000
Program Improvements/Offsets	+1,180

Proposed Actions

The Department is requesting $10 million to support the costs of administrative and judicial receiverships and other critical intervention activities. These funds will provide the Department with resources to cover operating and management costs where a court has asserted operational authority over a PHA through a judicial receivership appointment or the Department has taken over operational authority of the PHA through an administrative receivership process. Once an agency is placed into Receivership, a comprehensive initial assessment of the agency's needs, critical weaknesses and available resources is performed. A Receivership Plan is developed and implemented to assist the agency and its community partners in improving the performance of the agency and ensure delivery of appropriate services to the residents. The Department provides technical assistance and services that are designed to improve the most crucial deficiencies in the short term and coordinates a wide variety of technical assistance provisions that enable the PHA to sustain long-term recovery of the operational, financial, and physical aspects of low-income housing and Section 8 Housing Choice Voucher program. The Department often uses outside contractors for general management of receivership PHAs, as well as contractors with the specialized knowledge and expertise needed to address specific deficiencies in housing authority performance. The average cost of a receivership is estimated at $2.5 million per PHA based on the Department's recent experience.

HUD currently has seven PHAs under administrative receivership and three PHAs under judicial receivership. The PHAs under administrative receivership are the Detroit Housing Commission (MI), the Sarasota Housing Authority (FL), the Housing Authority of New Orleans (LA), the Riviera Beach Housing Authority (FL), the Virgin Islands Housing Authority (USVI), the East St. Louis Housing Authority (IL), and the Wellston Housing Authority (MO). The PHAs under judicial receivership are the Chester Housing Authority (PA), the Kansas City Housing Authority (MO), and a small portion of the Chicago Housing Authority (IL). Each of these PHAs was found to be in extreme non-compliance with HUD regulations and their Annual Contributions Contract (ACC) 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. Independent assessments revealed violations of ACCs, failing Public Housing Assessment System (PHAS) scores, poor housing stock, unethical and occasionally criminal activity, and significant financial, management, and operational issues among these agencies. It must be noted that the receivership of the Housing Authority of New Orleans has been complicated due to Hurricane Katrina, which severely damaged both the existing dilapidated housing stock and newly built redevelopment projects.

Successful receivership actions involve the use of highly skilled and technically trained individuals who are knowledgeable in the daily operations of a PHA, and whose skill and expertise can effectuate real change in a severely troubled agency. HUD receivership has resulted in significant improvements in the performance and financial soundness of the PHAs under receivership. Several of these have then successfully returned to local control, most recently the Housing Authority of Sanford (FL), which is once again under the control of the City of Sanford. While HUD seeks to expedite the recovery of these receivership PHAs and return them to local control

as quickly as possible, most of the PHAs currently in receivership have considerable problems that HUD is still addressing, and will therefore need to remain under Federal control for some time to come. Nonetheless, several PHAs have made progress:

- The Detroit Housing Commission has made major steps toward development at Gardenview HOPE VI project. A Developer for the rental component of the project was procured, and a development plan for Phase I (96 rental units) is expected to be submitted for HUD's approval in March. It is anticipated that Phase 1 will break ground in April to pave the way for a total of 920 affordable and market rate rental and homeownership units and the Boys and Girls Club was completed on site at Gardenview and will sere as an anchor of redevelopment in the community.

- The Wellston Housing Authority has maintained an occupancy rate of 95 percent and PHAS scores in the high 80s; operating costs have been lowered by aggressively seeking new vendors at lower costs and improved quality of work.

- At the Virgin Islands Housing Authority (VIHA), a Vacancy Reduction Plan is in process on both St. Thomas and St. Croix to make a total of 113 long-term vacant units ready for occupancy; expected that VIHA and Amresco will sign an Energy Performance Contract that will considerably reduce VIHA's greatest operating expense, water.

- The East St. Louis Housing Authority is on schedule to convert to asset management; it met HUD 95 percent public housing reporting requirement for the form 50058.

- The Sarasota Housing Authority successfully instituted asset management, one of the primary reasons that the physical and financial positions have improved over the last year; completed the sale of 36 units of former public housing units to low-income homeownership residents and expected to execute a land sale to Habitat for Humanity for the remaining 36 units. Habitat will construct a mixed-income development, including at least 36 units of low-income homeownership.

The Public Housing Assessment System (PHAS) and the Section 8 Management Assessment Program (SEMAP) 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 PHA's 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 indicators, and Housing Choice Voucher performance indicators to determine which PHAs should receive monitoring and what type of monitoring is necessary. This analysis of PHAS scores led to the monitoring effort mentioned above, and is an integral part of determining systemic progress in Receivership interventions.

Since fiscal year 2005, field offices and HUD contractors have been implementing an aggressive compliance monitoring effort, focused on the 490 largest PHAs, as well as smaller PHAs. The Office of Public and Indian Housing (PIH) has categorized Rental Integrity Monitoring (RIM) reviews of all PHAs in two tiers. Tier I RIM reviews represent the PIH National Risk list. This list consists of "priority" PHAs (approximately 490 PHAs), which receive 80 percent of HUD funding. PIH has committed to reviewing these agencies at least once every 5 years. Tier II RIM reviews will be based on PIH's commitment to review an additional 5 percent (approximately 175) of PHAs that fall outside of the list of "priority" PHAs based on the current PIH Risk Assessment Module. All RIM reviews assess PHA performance and/or compliance with HUD rules and regulations, thereby improving PHA accountability in their operations of public and assisted housing programs. PIH's institutionalization of RIM reviews allows PIH to monitor PHAs' compliance with HUD's policies and ensure that necessary corrective action plans are implemented when there is PHA non-compliance. This will minimize financial risk to the Department. PHAs under receivership are periodically reviewed by the Department to ensure compliance with monitoring and oversight provisions, permitting intermittent evaluation of performance and accountability to the receivership recovery plan.

In fiscal year 2008, 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. In fiscal year 2009, as HUD continues to implement its aggressive monitoring approach, it is likely that more PHAs will be found in default of their ACCs or will not have met the statutory requirement for substantial improvement, thereby requiring some sort of HUD receivership action. Two agencies that HUD is currently monitoring closely are the Miami-Dade Housing Authority (FL) and the Gary Housing Authority (IN). The Miami-Dade Housing Authority was recently declared in substantial breach of their ACC, the statutory

prerequisite for receivership action. HUD also continues to monitor activities at the Newark Housing Authority (NJ) and the San Francisco Housing Authority (CA).

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

Working Capital Fund	**Amount**
2007 Appropriation	$10,890
2008 Appropriation/Request	16,847
2009 Request	14,577
Program Improvements/Offsets	-2,270

Proposed Actions

PIH Information Technology provides a secure, scalable system for HUD staff and their business partners to collect and review information about the public housing inventory managed by HUD. Continuous maintenance and enhancement of these systems is key to the effective administration of the Department’s public housing programs. These systems help facilitate real-time updates of program and financial data, and generate reports to proactively manage public housing programs. The Department is requesting $14.6 million, which will be transferred from the Public Housing Capital Fund to the Working Capital Fund for the development and maintenance of information technology systems related to public housing.

PIH information technology gives careful consideration to funding implications for its fiscal year 2009 IT operation based upon the following goals:

I: Ensuring Financial Responsibility and Integrity in PIH programs

Secretary Jackson implemented the President's Management Agenda at HUD, putting in motion a reform plan to make sure that Rental Housing Assistance Programs, which the General Accounting Office (GAO) had identified as “high-risk,” function more effectively. The reforms resulted in a 60 percent decline in gross improper payments in 2005. As a result, the GAO removed the high-risk designation from the Rental Housing Assistance Program, a direct result of our achievements in the area of income verification.

Related to this goal of ensuring financial responsibility and integrity in PIH programs is the CFO’s decision to retire the HUD Central Accounting and Program System (HUDCAPS) to transition to HUD’s Integrated Financial System. However, before this change can happen, PIH must complete the implementation of key components of the PIH Resource Allocation function, including the transfer of the Housing Choice Voucher Program management activities from HUDCAPS to the Subsidy Award and Grant Information System (SAGIS). Beginning in fiscal year 2009, SAGIS will centralize all PIH program funds allocation/management activities.

II: Transition to Asset Management

Asset Management is one of the most significant events in the history of the public housing program, with major organizational consequences for both Public Housing Agencies and the Department. Asset Management fundamentally changes the way business is done. This major initiative was mandated by Congress, negotiated with industry, and codified in a final rule issued by the Department in September 2005. As a result, PIH will significantly revise the Public Housing Assessment System (PHAS), which will result in major modifications to all PIH information systems.

The Department is funding the transition to asset management and resource allocation and performing much needed system modernization activities with limited fiscal year 2007 funds. The Department requires its full fiscal year 2009 IT budget request to complete the transition to Asset Management and establish financial integrity of PIH programs via SAGIS implementation. To support this $40 million budget, PIH is requested to $22.5 million in program funds, an additional $11 million from Working Capital Fund direct appropriation for system maintenance, and $6.5 million from the Office of Housing Multifamily. Lower levels of funding will result in delays in financial management activities, inadequate implementation of Asset Management, and impede PHA performance assessment.

III. The Modernization Assessment System (MAS)

The Department plans to put functionality in the Physical Inspection Subsystem (PASS), the Subsidy Award and Grants Information System (SAGIS), and the Inventory Management System/Public and Indian Housing Information Center (IMS/PIC). The Office of Capital Improvements plans to hire a contractor to look at options on data collection and analysis. Preliminary Information Technology estimates for Phase I of the MAS include $550,000 for Physical Inspections to collect data, $450,000 for SAGIS to process the information for Capital Fund allocations, and $250,000 for IMS/PIC modifications.

In fiscal year 2007, the Department accomplished the following:

- Implemented Single Sign-ON for all PIH systems;
- Implemented e-Authentication;
- Upgraded IT Infrastructure for PIH systems;
- Implemented Income verification using National Directory of new Hires (NDNH) for Housing Multifamily and improve PIH wage matching;
- Modernized Physical Inspection system (60 percent complete);
- Completed Resource Allocation/SAGIS (Initial Implementation) for Operating Fund;
- Collected Asset-Based new project numbers for Public Housing;
- Implemented Capital Fund Certification; and
- Reconciled demolished/disposed units for the entire public housing inventory.

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

Neighborhood Networks	**Amount**
2007 Appropriation	...
2008 Appropriation/Request	...
2009 Request	...
Program Improvements/Offsets	...

Proposed Actions

As in 2008, the Department is not proposing any funds for the Neighborhood Networks Initiative Program in fiscal year 2009. These program activities can be accomplished through funding in the Capital Fund account without a specific set-aside. To date, 256 Neighborhood Network grants have been awarded. In December 2007, a Notice of Funding Availability, with an application deadline of February 15, 2008, was published to award the remaining funds in this account. The Department anticipates making awards during fiscal year 2008.

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

Financial and Physical Assessment Support	**Amount**
2007 Appropriation	...
2008 Appropriation/Request	$15,345
2009 Request	15,345
Program Improvements/Offsets	...

Proposed Actions

Funds are requested 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 2009. Financial and Physical Assessment Support is necessary to provide a timely and accurate assessment of HUD’s real estate portfolio using physical, financial, management and resident satisfaction assessments to the Office of PIH. It supports systems that permit selected PHS staff to verify the wage and some of the other incomes of public housing residents to ensure that housing subsidies are accurately paid. The assessments performed and data provided renew public confidence in the stewardship of these funds by assuring that the right families get the right benefit level.

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

Tenant Opportunity	**Amount**
2007 Appropriation	-$3,709
2008 Appropriation/Request	...
2009 Request	...
Program Improvements/Offsets	...

Proposed Actions

No funds are requested for this account in 2009 reflecting higher priority needs in other programs. Carryover amounts of $150 thousand remain in this account. The Tenant Opportunities Program provided technical assistance for various activities, including but not limited to resident management, for resident councils and resident management corporations as authorized by Section 20 of the U.S. Housing Act of 1937.

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

Public Housing Amendments	**Amount**
2007 Appropriation	...
2008 Appropriation/Request	...
2009 Request	...
Program Improvements/Offsets	...

Proposed Actions

No funds are requested for this account in 2009. Carryover amounts of $52,000 remain in this account. Last appropriated in fiscal year 2004, this Fund provided lease adjustments to Section 32 projects.

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**	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
The share of public housing units that meet HUD-established physical standards will be 85 percent.	REAC Public Housing Physical Assessment System	85%	85.7%	85%	85%
Approve $50 million of leveraged funds through the Capital Fund Financing Program.	Field Office/ Grantee Reporting	$50 million	$191 million	$50 million	NA
The Department will approve and facilitate $635 million of activity using alternative financing methods (e.g. the HOPE VI program, bonds through the Capital Fund Financing Program (CFFP), energy performance contracts, etc).	Field Office/ Grantee Reporting	NA	NA	NA	$635 million
Key measures under the Public Housing Assessment System will be tracked including: (a) the unit-weighted average score, (b) observed exigent deficiencies per property among PHAs that are designated as troubled and have five or more deficiencies per property for public housing and (c) the share of units that have functioning smoke detectors.	Field Office/ Grantee Reporting	Tracking	(a) 85.2%; (b) 58%; (c) 93.4%	Tracking	Tracking
The percent of public housing units under management of troubled housing agencies.	Field Office/Grantee Reporting	Tracking	33.9% reduction	Tracking	Tracking

NA = Not Applicable.

Explanation of Indicators

Indicator: The share of public housing units that meet HUD-established physical standards will be 85 percent.

HUD requires PHAs to inspect and maintain public housing to ensure compliance with HUD-established standards for physical condition or with local codes if they are more stringent. This indicator tracks the proportion of units in public housing facilities that meet these physical standards, helping the Department to monitor its success in improving the physical conditions in public housing. This reflects the commitment in the President's Management Agenda to steadily improve the physical quality of public housing, for which HUD's strategic Plan established a goal of 87.5 percent by fiscal year 2011. The Department revised the fiscal year 2007 target to 85.0 to reflect actual resources available for improvements and maintenance, and the multi-year effort to convert the PHAs to project based asset management by fiscal year 2011. Implementation of asset management will lead to better management and oversight of public housing by providing greater information about the operating costs and performance levels of each public housing project.

The target was exceeded when compared to the revised goal for fiscal year 2007. In fiscal year 2007, 85.7 percent of public housing units met or exceeded HUD's physical condition standards.

Indicator: The Department will approve and facilitate $635 million of activity using alternative financing methods (e.g. the HOPE VI program, bonds through the Capital Fund Financing Program (CFFP), energy performance contracts, etc).

The mixed-financing approach to replacement public housing development is the single most important development tool currently available to PHAs implementing HOPE VI revitalization projects. It emphasizes the formation of new public and private partnerships to ensure long-term sustainability of public housing developments and the leveraging of public and private resources to transform the isolated communities in which many public housing residents live into vibrant and sustainable mixed-income communities with a wide range of family incomes. Such financing will help ensure the realization of performance goals and their contribution toward the Department's strategic goals for homeownership and affordable housing. Due to Departmental streamlining of performance goals, the Department decided to report on PIH's leveraging of governmental resources in fiscal year 2009 on a consolidated basis. Thus, the prior years' goal "Approve $50 million of leveraged funds through the Capital Fund Financing program," has been combined in fiscal year 2009 into the consolidated goal, "The Department will approve and facilitate $635 million of activity using alternative financing methods (e.g. the HOPE VI program, bonds through the Capital Fund Financing Program (CFFP), energy performance contracts, etc.)."

The Capital Fund Financing Program is an appropriations-based financing program that makes financing available to PHAs and reflects the importance of leveraging private sector resources in order to develop and preserve scarce decent, affordable housing. Public Housing Agencies borrow funds from the private markets, pledge their capital funds subject to the availability of appropriations, and then repay the financing as they receive their capital funds. Proceeds from CFFP transactions are used for modernization and development of public housing, thus protecting and enhancing the affordable housing stock. This goal measures the dollar amount of Capital Fund Financing Program transactions approved by the Office of Capital Improvements.

During fiscal year 2007, the Office of Capital Improvements approved $191 million of leveraged funds through the CFFP, thus exceeding the $50 million goal by 282 percent. Fiscal year 2007 was the first year the goal was tracked in the Annual Performance Plan and Performance and Accountability Report. The fact that the goal was exceeded demonstrates the PHAs' success in using alternative financing mechanisms to fund their capital needs and increase the value of the public housing stock. Leveraging also proves invaluable to those PHAs that do not have enough funds in a single year to make all necessary improvements to their public housing and those that wish to develop new public housing. Additionally, HUD Headquarters and field office staff have worked diligently to raise awareness of and provide technical assistance on the program. The Department has hosted several conferences across the country aimed at providing PHAs with the tools necessary to successfully start and complete Capital Fund Financing Program transactions. The Department anticipates use of the program to grow. However, it should be noted that increased use of the program does not necessarily mean an increase in the average amount of leveraged funds. Because the dollar amount of transactions and the timing of submissions and approvals can vary widely, it is difficult to set precise goals for this program.

The PHA obligation is subject to the availability of appropriations by Congress and compliance with statutory and regulatory requirements.

Energy Performance Contracts will be an important tool in a PHA's toolbox for controlling utility and maintenance costs. Energy Performance Contracting is an innovative financing technique that uses cost savings from reduced energy consumption to repay the cost for installing energy conservation measures. Any saving above the cost to repay may be use at the PHA's discretion for other public housing requirements. In addition, the Federal Energy Policy Act of 2005 extends the allowable payback period for energy performance contracts from 12 to 20 years. This longer payback period makes these contracts financially more attractive for small and medium size PHAs and can generate funding to incorporate more energy-saving retrofits into any Energy Performance Contract.

HUD initiated implementation of the 25-point Phase II Energy Plan in fiscal year 2007. A detailed implementation plan was prepared in March 2007 which describes the specific activities to be undertaken in fiscal year 2007 and fiscal year 2008. The Department continued to make energy a policy priority in discretionary grant programs through HUD's Super Notice of Funding Availability, and the Department conducted the second annual webcast/satellite broadcast on the points awarded for Energy to grant applicants. Public and Indian Housing provided technical support to PHAs to implement energy performance contracts, continued to develop a utility benchmarking tool that will assist PHAs in managing energy, and operated a Public Housing Energy Conservation Clearinghouse. HUD's ten Regional Energy Coordinators continued to play a prominent role in leveraging resources for HUD customers and partners, and in working with offices in conducting training and outreach.

Significant progress was made in reporting energy savings projects from four sources: energy performance contracts in public housing, HOME, CDBG, and Energy Efficient Mortgages. In general, however, HUD's ability to measure, track, or report energy savings achieved as a result of its energy initiatives remains limited. Apart from savings achieved through energy performance contracts, a tool that is available to a limited number of housing authorities, there are no mechanisms in place to document energy savings in public housing through means other than energy performance contracts. Similarly, no mechanisms are in place to measure or report on energy savings in HUD's assisted or insured multifamily portfolio. No data are available on energy savings achieved in HOPE VI new construction projects, or in Section 202 or 811 new construction or housing rehabilitation. The Department will continue to work to put in place sampling or other methodologies to track and/or report energy use and savings.

Indicator: Key measures under the Public Housing Assessment System will be tracked, including: (a) the unit-weighted average score, (b) observed exigent deficiencies per property among PHAs that are designated as troubled and have five or more deficiencies per property for public housing and (c) the share of units that have functioning smoke detectors.

The Public Housing Assessment System scores provide an indication of the quality of the housing stock and the management conditions within which each public housing resident lives. These three key measures (unit-weighted average score, reductions in exigent health and safety or fire safety deficiencies, and share of unit with functional smoke detection systems) track HUD's progress toward increasing the capability and accountability of PHA partners and increasing the safety and satisfaction of residents. By closely monitoring these indicators, HUD is working to further its commitment in the President's Management Agenda to steadily improve the quality of public housing.

The Public Housing Assessment System assesses the performance of PHAs based on their physical and financial condition and their management quality (30 points each), as well as on resident satisfaction (10 points), for a total score of up to 100 points. Housing agencies with composite scores below 60 points or scores below 18 points for any one component are classified as "troubled" agencies.

The Department is in the process of the redesigning and implementing changes in the assessment systems for both its public housing and voucher programs during the next few years. During this period a comparison of results from year-to-year will be problematic. Additionally, after the new assessment system is functional, the Department will develop new performance goals which will support PHA operations under asset management. Until such time as asset management and the new assessment system are implemented, the Department will report this measure as a tracking indicator.

There was a positive trend in two of the three measures for fiscal year 2007. The unit-weighted average Public Housing Assessment System score was 85.2 percent, compared to 85.0 percent in fiscal year 2006. The average exigent health and safety defects per property assessed (for properties with a physical assessment score of less than 60) dropped from 11.70 defects noted in their previous inspection to 4.89 defects noted in their fiscal year 2007 inspection; this was a reduction of 58 percent, compared to a 54 percent reduction in fiscal year 2006 on a similar basis. For the last subgoal, 93.4 percent of public housing units had functioning smoke detectors and were in buildings with functioning smoke detection systems, compared with 93.6 percent in fiscal year 2006.

Adequate resources are required for good results under these indicators, particularly during the transition to asset management. The two main budgetary resources come from the Public Housing Operating Fund and Capital Fund programs. In fiscal year 2007, the funding for PIH Capital Fund was $2.4 billion, a decrease from $2.7 billion in fiscal year 2003 and 2004. The Operating Fund was $3.9 billion in fiscal year 2007, an increase from $3.5 billion in previous years. The combined operating and capital assistance of $6.3 billion represented 17.5 percent of HUD's net discretionary budget authority of $37.5 billion in fiscal year 2007 and reflected the priority and significant amount of resources allocated to this effort.

However, it is important to note that although there was an overall increase in appropriations for the Operating Fund, the increase was not enough to maintain the same level of prorated funding for fiscal year 2007, which was 83.4 percent of eligibility determined by the Operating Fund formula, as compared to a proration of 86.0 percent in fiscal year 2006. The real reduction the Capital Fund coupled with the reduced proration in the Operating Fund had an adverse affect on the PHAs' ability to maintain the physical standards of the properties.

The data sources are the Real Estate Assessment Center—Public Housing Assessment System database. Some PHAs were excluded from this analysis. These consist agencies designated as "Moving to Work," "Invalidated," and "Advisory." All the goals related to the Public Housing Assessment System are predicated on the timely release of scores by the Real Estate Assessment Center. In the event that the Real Estate Assessment Center experiences a significant delay in the issuance of Public Housing Assessment System scores in a particular year, this could affect the outcome and may represent a skewed assessment of the performance trends within a reporting period.

Indicator: The percent of public housing units under management of troubled housing agencies.

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. The Department is in the process of the redesigning and implementing changes in the assessment systems for both its public housing and voucher programs during the fiscal year 2007 to fiscal year 2009 timeframe. During this period a comparison of results from year-to-year will be problematic. Additionally, after the new assessment system is functional, the Department will develop new performance goals which will support PHA operations under asset management. Until such time as asset management and the new assessment system are implemented, the Department will report this measure as a tracking indicator.

There was an improvement in this indicator during fiscal year 2007. During fiscal year 2007, the number of units managed by "troubled" PHAs was reduced by 33.9 percent versus 31.0 percent in fiscal year 2006. The number of troubled PHAs as of October 1, 2006 totaled 197 this includes 71, 391 low-rent units. Seventy-three PHAs from this list were no longer "troubled" by September 30, 2007 after receiving assistance from the PIH field offices and the Recovery and Prevention Corps. Those 73 PHAs have a total of 24,166 units.

To calculate the percent of troubled housing units that are no longer managed by troubled agencies, the Department collects and analyzes the September 2006 and September 2007 troubled lists. The troubled list is a monthly document that reports the status of troubled PHAs. PHAs 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 2006 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 2007, 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 2006 report to the number of PHAs that are shown on the September 30, 2007 list. Those PHAs that were not reported on the September 30, 2007, 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 2006 Troubled List) and the PHAs that were deemed troubled as of September 30, 2007.

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

The fiscal year 2009 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined.

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 (42 U.S.C. 1437g) (the ''Act'') *$2,024,000,000,* to remain available until September 30, *2012*: *Provided*, That notwithstanding any other provision of law or regulation, during fiscal year *2009*, 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) 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 *$7,420,000* shall be for carrying out activities under section 9(h) of such Act; at least *$14,577,000 shall, and up to $18,221,250* may, be transferred to the Working Capital Fund; and 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): *Provided further*, That no funds may be used under this heading for the purposes specified in section 9(k) of the Act: [*Provided further*, That of the total amount provided under this heading, not to exceed $18,500,000 shall be available for the secretary to make grants, not withstanding section 204 of this Act, to public housing agencies for emergency capital needs resulting from unforeseen or unpreventable emergency and natural disasters occurring in fiscal year 2008:] *Provided further*, That of the total amount provided under this heading, *$37,620,000* shall be for supportive services, service coordinators and congregate services as authorized by section 34 of the Act (42 U.S.C. 1437z-6) and the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4101 et seq.): *Provided further*, That of the total amount provided under this heading up to *$10,000,000* is to support the costs of administrative and judicial receiverships: *Provided further*, That from the funds made available under this heading, the Secretary shall provide bonus awards in fiscal year *2009* to public housing agencies that are designated high performers. (*Department of Housing and Urban Development Appropriations Act, 2008.)*

Explanation of Changes

None.

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Formula Grants	$2,354,002	-$768	...	...	$186,910	$2,540,144
Emergency/Disaster Reserve	16,830	-5	...	...	1,408	18,233
Technical Assistance	10,890	-3,052	...	...	36,580	44,418
Resident Opportunities and Supportive Services	37,620	-51	...	...	75,591	113,160
Administrative Receivership	8,732	...	...	...	4,631	13,363
Working Capital Fund	10,890	...	...	...	...	10,890
Neighborhood Networks	...	...	...	...	25,726	25,726
Financial and Physical Assessment Support	...	...	...	...	...	...
Tenant Opportunity	...	-3,709	...	...	3,835	126
Public Housing Amendments	...	...	...	...	52	52
Total	2,438,964	-7,585	...	...	334,733	2,766,112

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Formula Grants	$1,966,918	$2,327,452	...	...	$50,076	$2,377,528
Emergency/Disaster Reserve	...	18,500	...	...	16,803	35,303
Technical Assistance	14,890	12,000	...	...	14,156	26,156
Resident Opportunities and Supportive Services	...	40,000	...	...	62,672	102,672
Administrative Receivership	10,000	8,820	...	...	4,724	13,544
Working Capital Fund	16,847	16,847	...	...	...	16,847
Neighborhood Networks	...	...	...	...	11,338	11,338
Financial and Physical Assessment Support	15,345	15,345	...	...	...	15,345
Tenant Opportunity	...	...	...	...	150	150
Public Housing Amendments	...	...	...	...	52	52
Total	2,024,000	2,438,964	...	...	159,971	2,598,935

PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
2009 Summary Statement and Initiatives
(Dollars in Thousands)

NATIVE AMERICAN HOUSING BLOCK GRANTS	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	$623,700	$80,293[a]	...	$703,993	$649,160	$582,463[b]
2008 Appropriation/Request	630,000	54,833	...	684,833	684,833	608,915
2009 Request	627,000	...	...	627,000	627,000	629,644
Program Improvements/Offsets	-3,000	-54,833	...	-57,833	-57,833	+20,729

a/ Includes $3.2 million in recaptures and $1.5 million in permanent indefinite authority for Title VI Loan Guarantee upward re-estimate.
b/ Includes permanent indefinite authority of $1.5 million in fiscal year 2007.

Summary Statement

The budget proposes an appropriation of $627 million for the Native American Housing Block Grant (NAHBG), also known as the Indian Housing Block Grant (IHBG) program, in fiscal year 2009. This 2009 request represents a decrease of $3 million from the 2008 enacted level of $630 million. The funding level recognizes the low-income housing needs that exist in Indian Country. This program provides a formula grant, based on need and the number of HUD-funded units in management, for housing and housing-related assistance, either directly to eligible Indian tribes or through their Tribally Designated Housing Entities (TDHEs).

In addition, the Title VI Loan Guarantee program, funded under this account promotes homeownership opportunities via a public/private partnership. As of September 30, 2007, 1,704 affordable housing units or the supporting infrastructure has been financed with Title VI funding. This request includes $2 million for credit subsidy to support loan guarantee authority of $17 million, based on a subsidy rate of 12.34 percent for the Title VI Tribal Housing Activities Loan Guarantee program. Title VI loan activity is expected to increase due to expanded marketing and outreach efforts aimed at potential borrowers and lenders.

This request also includes up to $4.25 million for HUD training and technical assistance in the training, oversight and management of Indian housing and housing-related assistance.

Strategic Goals and Objectives

The Office of Native American Programs (ONAP) support several of the Department’s strategic goals. For example, ONAP measures NAHBG program activities that contribute to increasing minority homeownership; expand access to and availability of decent, affordable rental housing; foster suitable living environments in communities by improving physical conditions and quality of life; and, show how tribes and TDHEs are working to end chronic homelessness and move homeless families and individuals to permanent housing.

Annual and long-term performance measures for ONAP programs and operations have been developed, along with an automated database system to support data collection and reporting. In response to the evaluation conducted by the Program Assessment Rating Tool (PART), ONAP is simplifying reporting requirements and revising reporting instruments to collect program output data. Part of the revision process involves consultation with tribes and TDHEs. A workgroup consisting of ONAP employees and tribal representatives has met to discuss and analyze potential changes to the recipients’ Annual Performance Report and the Indian Housing Plan, which are used as data collection instruments. ONAP is seeking support to more accurately track reductions in overcrowding. ONAP has also commenced activity for an independent, comprehensive evaluation of the Native American Housing Assistance and Self-Determination Act (NAHASDA), programs inclusive of Title VI program, as recommended by the PART assessment. This evaluation is expected to be completed by August 2008.

The Title VI program received a PART rating of “Adequate” in fiscal year 2005. The program scored well on the PART Assessment for its ability to collaborate and coordinate effectively with related programs. Since inception of the program, Title VI loans have attracted funding from at least 11 different public and private sources. More aggressive marketing and outreach efforts to potential borrowers and lenders by the six Area Offices of Native American Programs and the Office of Loan Guarantee have resulted in tribes becoming more familiar with the program and its usefulness, as well as increases in both inquiries and loan guarantees.

PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Formula Grants	$617,265	$68,754	$686,019	$640,671	$621,770	$45,341	$667,111	$620,750
Loan Guarantee - Title VI (Credit Subsidy) ..	1,831	4,945	6,776	3,004	1,980	3,791	5,771	2,000
Administrative Expenses	149	...	149	...	...	...	...	...
Technical Assistance ..	4,455	6,594	11,049	5,485	4,250	5,701	9,951	4,250
National American Indian Housing Council	...	...	...	...	2,000	...	2,000	...
Total	623,700	80,293	703,993	649,160	630,000	54,833	684,833	627,000

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	27	28	28
Field	115	127	127
Total	142	155	155

PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
Program Offsets
(Dollars in Thousands)

Formula Grants	**Amount**
2007 Appropriation	$617,265
2008 Appropriation/Request	621,770
2009 Request	620,750
Program Improvements/Offsets	-1,020

Proposed Actions

In fiscal year 2009, the Department proposes an appropriation of $627 million for NAHBG purposes, with $620.8 million for formula grants.

In 1996, to recognize the unique nature and needs of American Indians and Alaska Natives, Congress enacted the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA, P.L. 104-330), to better assist Native American people and their communities. The Native American Housing Block Grant (NAHBG) program provides funds to tribes or their designated housing entities, to meet their critical housing needs through block grants designed to maintain existing units previously developed with HUD funding, to develop, acquire, and rehabilitate units, and for other affordable housing activities such as interest rate buy-downs, down payment assistance, loans, and housing services, as defined in Section 202 of the Act.

NAHASDA stipulates that each Indian tribe or its TDHE is eligible to receive an annual block grant to meet the housing and housing-related needs within its community if the tribe or TDHE submits a compliant Indian Housing Plan (IHP). The tribe or TDHE must submit a 1-year and a 5-year IHP, consisting of a mission statement, goals and objectives, needs statement, statement of financial and affordable housing resources, and proposed activities designed to meet the housing needs identified in the Plan. Grantees must indicate in the IHP that they will continue to manage and maintain existing dwelling units developed with HUD funds. If the IHP is found to be in compliance, the tribe receives funds through the annual formula allocation.

The Indian community is in a desperate need of improved housing conditions. A HUD study in 1996 found that there was a need for more than 90,000 affordable housing units in Indian Country. HUD has also determined, using 2000 Census data, that 273,658 American Indian/Alaska Native households, out of 965,684, have “severe housing needs.” This is defined as a lack of basic plumbing or kitchen facilities, having more than 1.01 persons per room, or having a housing cost burden of over 50 percent of income. According to the Senate Committee on Indian Affairs, in 2002, 90,000 Indian families were homeless or underhoused. On tribal lands, 28 percent of Indian households were found to be overcrowded or to lack adequate plumbing and kitchen facilities, compared to 5.4 percent of national households. The Housing Assistance Council cites a 2003 U.S. Commission on Civil Rights study that estimated nearly 200,000 housing units are immediately needed to provide adequate housing in tribal areas.

In addition to the growing need for more units, tribes are faced with rising management and construction costs. Inflation has driven up the cost of construction materials and labor. The rising cost of gasoline is especially difficult for tribes in remote locations. Rising utility costs affect everyone, but especially tribes in Alaska and in the northern continental border states.

Native American Housing Block Grants

The NAHBG allows grant recipients to develop and support affordable rental and homeownership housing and provide housing services through the following eligible activities:

Development. Grant funds may be used to support acquisition, new construction, reconstruction, and the moderate or substantial rehabilitation of affordable housing, and may include real property acquisition, site improvement, development of utilities and utility services, conversion of a project to homeownership, demolition, financing, administration and planning, improvements to achieve greater energy efficiency, and other related activities.

Indian Housing Assistance. Indian housing assistance provides for modernization and operating assistance for housing previously developed or operated under a contract between the Department and an Indian Housing Authority, currently the tribe or TDHE.

Housing Services. Funds may be used to provide housing counseling for rental or homeownership assistance, establishment and support of resident management organizations, energy auditing, supportive and self-sufficiency services, and other related services assisting owners, residents, contractors and other entities, participating or seeking to participate in eligible housing activities.

Housing Management Services. Grant funds may be used to provide management services for affordable housing, such as preparation of work specifications, loan processing, inspections, tenant selection, management of tenant-based rental assistance, and management of affordable housing projects.

Crime Prevention and Safety Activities. Funding may be provided for safety, security, and law enforcement measures with activities appropriate to protect residents of affordable housing from crime.

Model Activities. The Department may approve housing activities under model programs that are designed to develop and support affordable housing. This complies with the mandate that new housing opportunities be developed using a variety of creative approaches. This ensures long-term viability by implementing ideas that supplement limited Federal grant funds with other sources of capital, loans, buy-downs, and other financing mechanisms.

PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
Program Offsets
(Dollars in Thousands)

Loan Guarantee - Title VI (Credit Subsidy)	**Amount**
2007 Appropriation	$1,831
2008 Appropriation/Request	1,980
2009 Request	2,000
Program Improvements/Offsets	+20

Title VI Housing Loan Guarantee - Summary of Loan Activity	**Actual 2007**	**Estimate 2008**	**Estimate 2009**
Number of Loan Commitments	14	16	18
Number of Loans Endorsed	8	10	12
Average Loan Size of Endorsed Loans	$1,362	$1,400	$1,400
Number of Loans in Delinquent Status at end of fiscal year	0	0	0
Number of Loans that Defaulted in fiscal year	0	0	0
Total Number of Loans in Default	0	1	1
Loan Guarantee Commitment Limitation	$12,457[a]	$17,000	17,000
Subsidy Rate	11.99	12.12	12.34

a/ This is the amount of guaranteed loan commitments made; fiscal year 2007 loan guarantee commitment limitation is $17.9 million.

Proposed Actions

Title VI Federal Guarantees for Financing for Tribal Housing Activities. The budget includes a set-aside of $2 million in credit subsidy for the continuation of the Title VI Indian Housing Federal Loan Guarantee program. The loan guarantees made under this program guarantee repayment of 95 percent of the unpaid principal and interest due on the obligations guaranteed. The Title VI program is authorized by Public Law 104-330, as amended, and the regulations are found in 24 CFR PART 1000, Subpart E. This request will support loan guarantee authority of $17 million, based on a subsidy rate of 12.34 percent for the Title VI program. The program provides loan guarantees for Native American Housing Block Grant recipients (Indian tribes and TDHEs) in need of additional funds to engage in NAHASDA-eligible affordable housing activities. The program provides a mechanism for grant recipients to leverage funds by pledging future block grants, along with additional security as required, to collateralize notes and other obligations.

The program began with two Title VI loan guarantees issued for approximately $7 million in fiscal year 2000. Indian tribes and their designated housing entities are now partnering with HUD and the public and private sectors, resulting in a greater number of loans being underwritten. As of September 30, 2007, cumulative loan guarantees of approximately $109.2 million have been issued, and 1,704 affordable housing units or the supporting infrastructure has been financed with Title VI funding. In fiscal year 2007, 8 loans totaling $10.9 million were guaranteed.

PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
Program Offsets
(Dollars in Thousands)

Administrative Expenses	**Amount**
2007 Appropriation	$149
2008 Appropriation/Request	...
2009 Request	...
Program Improvements/Offsets	...

Proposed Actions

No additional funds are requested in fiscal year 2009.

PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
Program Offsets
(Dollars in Thousands)

Technical Assistance	**Amount**
2007 Appropriation	$4,455
2008 Appropriation/Request	4,250
2009 Request	4,250
Program Improvements/Offsets	...

Proposed Actions

Of the total NAHBG appropriation, $4.25 million will be set aside for training and technical assistance to engage in the management and oversight of eligible affordable housing activities. This includes up to $300,000 for related travel. These funds will be used for activities such as the management of the NAHBG formula, support for tribal consultation activities (including negotiated rulemaking), training and outreach for the Title VI program, extensive technical assistance and training activities to address programmatic requirements, functional training for grantees, data collection for measuring performance and outcomes for OMB’s Program Assessment Rating Tool evaluations, and administrative contract expenses necessary to carry out the loan guarantee program. Technical assistance activities are wide-ranging, including on-site expertise in identifying the causes of mold in affected housing units, and assistance in crime prevention activities. Funds may also be used to support negotiated rulemaking activities as required by section 106(b)(2) of the Native American Housing Assistance and Self-Determination Act of 1996, as amended.

PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
Program Offsets
(Dollars in Thousands)

National American Indian Housing Council	**Amount**
2007 Appropriation	...
2008 Appropriation/Request	$2,000
2009 Request	...
Program Improvements/Offsets	-2,000

Proposed Actions

The Department does not request a set-aside for the National American Indian Housing Council in fiscal year 2009.

PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
Performance Measurement Table

Program Name: **NATIVE AMERICAN HOUSING BLOCK GRANTS**

Program Mission: In 1996, to recognize the unique nature and needs of American Indian and Alaska Native areas, Congress enacted the Native American Housing Assistance and Self-Determination Act (NAHASDA, P.L. 104-330) to better assist Native American people and their communities. The NAHBG program provides funds to tribes or their tribally designated housing entities (TDHE) to meet their critical housing needs through housing block grants designed to maintain existing units previously developed with HUD funding and to develop new units. NAHASDA stipulates that each eligible Indian tribe or its TDHE receive annually a single block grant to meet the housing and housing-related needs within their community.

Performance Indicators	**Data Sources**	**Performance Report**		**Performance Plan**	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
The Office of Public and Indian Housing will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.	PIH Office of Native American Programs Administrative Data derived from Access Database and LOCCS System	5,350	4,800	4,349	4,415
Through the Native American Housing Block Grant program, tribes or tribally designated housing entities will assist 1,380 families by building, acquiring, or rehabilitating rental units.	PIH Office of Native American Programs Administrative Data derived from Access Database and LOCCS System	1,420	1,475	1,380	1,380
Overcrowded households in Indian country shall be reduced by 1 percent.	Administrative Reports	472	1,865	472	472

Explanation of Indicators

The Native American (or Indian) Housing Block Grant (NAHBG) program provides grants to Indian tribes and Tribally Designated Housing Entities (TDHEs) to provide and maintain housing for low-income Native Americans. As part of its responsibility to provide public accountability, the Office of Native American Programs (ONAP) has developed performance goals and a performance measurement database. This database enhances ONAP’s ability to evaluate the impact of ONAP programs and facilitates strategic planning within the organization.

Housing conditions in Indian Country were improved and many families have better living conditions due to the activities funded through the NAHBG and Title VI. ONAP will regularly monitor grantees and provide specialized training and technical assistance to the grantees to ensure that performance goals will be achieved.

Native American Housing Block Grants

Indicator: The Office of Public and Indian Housing will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.

In fiscal year 2007, as of October 1, 2007, NAHBG has assisted 4,800 families with homeownership activities. In fiscal year 2006, the actual accomplishment was 5,957 during the same reporting period but subsequent late submissions and database adjustments reflect that NAHBG assisted 6,371 families with homeownership activities (these figures are also as of October 1, 2007). These outputs that demonstrate the program's accomplishments are continuously updated as grantees report to ONAP and the performance tracking database is adjusted. Experience has shown that figures from the database that are collected each year in October for the Annual Performance Report are incomplete. This is generally due to grantees reporting late. As more trend data becomes available, ONAP will continue to evaluate more appropriate target levels for these goals.

Under the Department's fiscal year 2009 streamlining initiative, goals for PIH programs that provide homeownership opportunities have been combined into one goal – to assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase, of which 4,415 is projected for NAHBG.

PIH manages the following programs providing homeownership opportunities:

- The Indian Housing Block Grant and Native Hawaiian Housing Block Grant programs address the severe shortages of affordable housing in Indian Country and in Hawaii.
- The HOPE VI program, which has a goal to create 10,000 new homeownership units between fiscal years 2006 and 2011.
- The Section 184 Loan Guarantee program promotes homeownership among Native Americans by providing access to market-rate financing.
- The Section 184A Loan Guarantee Program for Native Hawaiians provides guaranteed loans to qualified Native Hawaiians.
- The homeownership option under the Housing Choice Voucher, Family Self-Sufficiency, and Moving-to-Work programs increases homeownership among low-income and minority households by allowing PHAs to provide voucher assistance to first-time homebuyers for monthly homeownership expenses rather than for monthly rental payments, the most typical use of voucher assistance.

PIH will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase. The goal for fiscal year 2008 is to assist 4,349 families with homeownership activities; however, this new indicator will measure the number of homeownership units completed or families receiving initial homeownership assistance programwide during fiscal year 2009.

Indicator: Through the Indian Housing Block Grant program, tribes or tribally designated housing entities will assist 1,380 families by building, acquiring, or rehabilitating rental units.

The outputs presented in the first two indicators above are families who have received a newly built home, a newly acquired home, or have had their home rehabilitated. The goal to build, acquire, or rehabilitate 1,420 rental units was not met. The actual accomplishment, 1,368 is about 3.5 percent short of the goal. It is likely that the fiscal year 2007 accomplishment will also be subject to change once corrections and late submissions are reported. ONAP lowered the targets for NAHBG goals because construction and other costs have continued to rise while the level of program funding has remained relatively flat for the last 3 years. The targets for these output goals are realistic and attainable, yet if achieved, will indicate thriving program activity and steady progress toward long-term goals.

The long-term desired outcome under this Strategic Objective is an adequate number of decent, safe and affordable homeownership units made available to American Indian and Alaska Native families.

Native American Housing Block Grants

Indicator: Overcrowded households in Indian Country shall be reduced by 1 percent each fiscal year.

One of ONAP's most important long-term goals is to reduce overcrowded American Indian and Alaska Native (AIAN) households by 1 percent each year over 10 fiscal years. ONAP and tribal representatives established a baseline in fiscal year 2003 of 47,169 overcrowded AIAN households. The goal each year is to reduce this number by at least 472, or 1 percent. As of October 1, 2007, 1,865 new housing units (homeownership units and rentals) have been built in fiscal year 2007, and 2,059 were built in fiscal year 2006. In fiscal years 2008, and 2009, ONAP will continue its efforts to reduce overcrowding by 1 percent each fiscal year. The annual target for this goal (472 new homes) has been consistently exceeded, and ONAP is evaluating alternate methods that might better measure overcrowding and the impact that the NAHBG program has on it.

The measure to assess interim progress is an annual reduction in overcrowding for 472 families. HUD is seeking a more valid and accurate methodology to measure overcrowding. Currently, progress is measured by simply subtracting the number of new units built each year from the baseline. A consultant has recommended that, to realistically measure overcrowding, HUD should use extracts of American Community Survey (ACS) data from the Census Bureau, inspect and survey households, or use a combination of these two methods. HUD is assessing the relative validity, feasibility, and cost effectiveness of the two methods, and plans to consult with OMB before deciding on an improved measurement strategy.

PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
Justification of Proposed Changes in Appropriations Language

For the Native American Housing Block Grants program, as authorized under title I of the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) (25 U.S.C. 4111 et seq.), $627,000,000, to remain available until expended: Provided, That, notwithstanding the Native American Housing Assistance and Self-Determination Act of 1996, to determine the amount of the allocation under title I of such Act for each Indian tribe, the Secretary shall apply the formula under section 302 of such Act with the need component based on single-race Census data and with the need component based on multi-race Census data, and the amount of the allocation for each Indian tribe shall be the greater of the two resulting allocation amounts: Provided further, That of the amounts made available under this heading, $4,250,000 shall be to support the inspection of Indian housing units, contract expertise, training, and technical assistance in the training, oversight, and management of such Indian housing and tenant-based assistance, including up to $300,000 for related travel: Provided further, That of the amount provided under this heading, $2,000,000 shall be made available for the cost of guaranteed notes and other obligations, as authorized by title VI of NAHASDA: Provided further, That such costs, including the costs of modifying such notes and other obligations, shall be as defined in section 502 of the Congressional Budget Act of 1974, as amended: Provided further, That these funds are available to subsidize the total principal amount of any notes and other obligations, any part of which is to be guaranteed, not to exceed $17,000,000.

Explanation of Changes

No change in the appropriation language is requested.

PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Formula Grants	$617,265	...	...	...	$68,754	$686,019
Loan Guarantee - Title VI (Credit Subsidy)	1,831	...	...	...	4,945	6,776
Administrative Expenses	149	...	...	...	...	149
Technical Assistance	4,455	...	...	...	6,594	11,049
National American Indian Housing Council	...	...	...	...	...	...
Total	623,700	...	...	...	80,293	703,993

Transfers to Other Accounts

For administrative expenses, $149 thousand was transferred to the salaries and expenses account to be used for the administrative cost of the Title VI Tribal Housing Activities Federal Loan Guarantee program.

PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Formula Grants	...	$621,770	...	...	$45,341	$667,111
Loan Guarantee - Title VI (Credit Subsidy)	...	1,980	...	...	3,791	5,771
Administrative Expenses	...	...	...	...	...	...
Technical Assistance	...	4,250	...	...	5,701	9,951
National American Indian Housing Council	...	2,000	...	...	...	2,000
Total	...	630,000	...	...	54,833	684,833

PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
2009 Summary Statement and Initiatives
(Dollars in Thousands)

INDIAN HOUSING LOAN GUARANTEE FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	$6,000	$5,849[a]	...	$11,849	$6,386	$6,166[a]
2008 Appropriation/Request	7,450	5,216[b]	...	12,666	9,000	6,926
2009 Request	9,000	3,666	...	12,666	12,000	8,500
Program Improvements/Offsets	+1,550	-1,550	...	...	+3,000	+1,574

a/ Includes permanent indefinite authority of $861 thousand for upward re-estimates of loan authority.
b/ Includes permanent indefinite authority of $37 thousand for upward re-estimates of loan authority and excludes non-expenditure transfer of $248 thousand to Salaries and Expenses; carryover, obligations and outlays are reflected in salaries and expenses account.

Summary Statement

The fiscal year 2009 budget proposes an appropriation of $9 million, of which $8.25 million in credit subsidy is to support loan guarantee authority of $420 million, based on a subsidy rate of 2.52 percent. This increase will allow HUD to meet projected demand for this program, which has grown significantly since 2002 (as described in detail below). This 2009 request represents an increase of $1.5 million from the fiscal year 2008 enacted level and an increase of $3 million from fiscal year 2007. In addition, $750 thousand is requested for administrative contract expenses to carry out the loan guarantee program. These funds will support efficient management systems and analysis made necessary by the success of this program in reaching larger populations of borrowers and help the program to remain well run.

Homeownership rates on reservations are low and housing needs are great. According to 2004 Census data, the homeownership rate for persons who self-identified as American Indian, Alaska Native alone, or in combination with another race, is 56.4 percent, 17.5 percent below the rate of white non-Hispanics. The Section 184 Indian Housing Loan Guarantee Fund provides credit subsidies that support loan guarantees up to 100 percent to meet this need. The guaranteed loans can be used to purchase, construct, refinance, and/or rehabilitate single family homes on Indian trust or restricted land and in designated Indian areas. Because of the unique legal status of these lands, lenders previously had been hesitant to assume the risk of providing mortgage financing where legal title to the property could not be used as collateral. Other important constraints that limit the ability of tribes to take advantage of guaranteed loans include weak local economies, a lack of infrastructure, high building costs in rural areas, and a shortage of service providers such as appraisers and realtors.

The Section 184 loan guarantee program addresses the special needs of Native Americans, thus making it possible to achieve homeownership with market-rate financing. This request is based on substantial increased use of commitment authority and loan guarantees in recent years. As of September 30, 2007, a total of 5,045 (cumulative over the life of the program) loans had been guaranteed with guarantee loan authority of $663.8 million. During fiscal year 2007, the program guaranteed $223.9 million in loans, exceeding the amended target of $197.3 million by more than 13.5 percent, and exceeding the fiscal year 2006 total by almost 30 percent. Program activity and loan volume have increased every year since fiscal year 2002. This has occurred due in part to marketing and outreach efforts of the Section 184 Team, which is comprised of HUD’s Office of Native American Programs (ONAP), Office of Loan Guarantee, and ONAP Area Office staff (to include cross-marketing efforts with other housing and Indian-based organizations), and on-site training and technical assistance. Currently, ONAP has focused on working with Indian housing entities and lenders to develop larger projects rather than individual loans.

Significant progress has been made in working with Ginnie Mae and the Federal Home Loan Bank of Chicago in opening their portfolios to purchase Section 184 loans. Secondary markets for these products are essential to getting more retail bank participation.

Indian Housing Loan Guarantee Fund

Strategic Goals and Objectives

The Section 184 Indian Housing Loan Guarantee Fund supports the President's goal and the Department's Strategic Goal A: Increase homeownership opportunities. In fiscal year 2009, PIH will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.

The Office of Management and Budget (OMB) conducted an evaluation of the Section 184 program in fiscal year 2006, using its Program Assessment Rating Tool (PART). This program scored 89.5 percent, which translates to an "Effective" rating in the PART assessment process.

PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Loan Guarantee Credit Subsidy	$5,750	$5,849	$11,599	$6,386	$7,450	$5,216	$12,666	$8,250
Administrative Expenses	250	...	250	...	...	...	...	...
Loan Guarantee Contracts	...	...	...	...	...	...	...	750
Total	6,000	5,849	11,849	6,386	7,450	5,216	12,666	9,000

NOTE: Fiscal years 2007 and 2008 carryover includes $99 thousand for Land Title Report Commission.

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	5	6	6
Field	20	23	23
Total	25	29	29

PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
Program Offsets
(Dollars in Thousands)

Loan Guarantee Credit Subsidy	**Amount**
2007 Appropriation	$5,750
2008 Appropriation/Request	7,450
2009 Request	8,250
Program Improvements/Offsets	+800

Indian Housing Loan Guarantee - Summary of Loan Activity	**Actual 2007**	**Estimate 2008**	**Estimate 2009**
	(Dollars in Thousands)		
Number of Loan Commitments	1,437	1,600	1,800
Number of Loans Endorsed	1,340	1,500	1,700
Average Loan Size of Endorsed Loans	$168	$165	$165
Number of Loans in Delinquent Status at End of Fiscal Year	254	336	432
Number of Loans that Defaulted in Fiscal Year	7	17	20
Total Number of Loans in Default	39	56	76
Loan Guarantee Commitment Limitation	$235,074 a/	$367,000	$420,400
Subsidy Rate	2.35	2.42	2.52

a/ This is the amount of guaranteed loan commitments made; the fiscal year 2007 loan guarantee commitment limitation is $251 million.

Proposed Actions

This program is authorized by Section 184 of the Housing and Community Development Act of 1992, Public Law 102-550, enacted October 28, 1992, as amended. The fiscal year 2009 budget proposes an appropriation of $9 million, of which $8.25 million in credit subsidy is to support loan guarantee authority of $420 million, based on a subsidy rate of 2.52 percent.

The loan guarantees made under this program shall guarantee repayment of 100 percent of the unpaid principal and interest due on the obligations guaranteed. Funding for this program provides loan guarantees for Native American families, Indian tribes, and Tribally Designated Housing Entities (TDHEs) to purchase, construct, refinance, and/or rehabilitate single family homes on trust or restricted land and in tribal areas of operation. The Section 184 loan guarantee has made possible private financing of home mortgages by private financial institutions based on individual borrower’s qualifications, regardless of land status.

The Section 184 program has made homeownership available to Native Americans living on Indian lands and has enabled lending institutions to serve a new client group. Due to the unique legal status of Indian trust or restricted lands, lenders were hesitant to assume the risk of providing home mortgage financing where legal title to the real property could not be used as collateral. In addition, many lenders were unwilling to take the risk of going into tribal courts in the event of default. As a direct result of this program, numerous banks are now lending in Indian Country, and many tribes have established legal procedures for processing foreclosures and evictions.

This program also has served as the vehicle to leverage private funds with Federal dollars in Indian Country, and has created new housing opportunities where Federal subsidy programs historically provided 100 percent of the costs of new unit construction. Through this program, private financing is now used to cover construction costs while Federal dollars are used only to guarantee payment in the event of a default. The Section 184 program has become a vital financing vehicle for tribes who are transitioning members to homeownership through lease/purchase initiatives. The initial loans are made to the tribe and assumed by a qualified borrower at a later date. This form of leveraging makes it possible to address overcrowding by recycling rental housing while strengthening communities through homeownership.

This program provides opportunities for qualified families currently living in subsidized units to obtain a market-rate home mortgage, and thus frees up assisted housing units for use by lower-income families. A family with acceptable credit and sufficient income to afford a private-market home mortgage can use the guarantee to ensure that the lender will approve the mortgage even if the home is located on trust or restricted Indian land.

In contrast to the Title VI Tribal Housing Activities Loan Guarantees program (funded as a set-aside in the Native American Housing Block Grant program), any Indian family, tribe, or TDHE can apply for a Section 184 mortgage loan and be qualified on the basis of their income and other mortgage credit guidelines. The Office of Loan Guarantee will continue to partner with State Housing Finance Agencies, HUD homeownership counseling centers, Federal Home Loan Banks, Fannie Mae, and other government-sponsored enterprises to increase program use and promote Native American homeownership. The program is supported by a contract that will provide regional training to lenders and non-profits in Indian Country.

The Department created a special outreach team within the six Area Native American Program Offices to provide additional training and technical assistance on reservations throughout the country. This initiative has increased awareness of the tribal benefits of the Indian Housing Loan Guarantee program. In June 2007, the Office of Native American Programs finalized the first of five transactions in which a tribe used the Section 184 program to finance homeownership units under a lease/purchase agreement. Tribal transactions enable TDHEs to leverage tribal resources with private sector capital to produce homes immediately.

PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
Program Offsets
(Dollars in Thousands)

Administrative Expenses	**Amount**
2007 Appropriation	$250
2008 Appropriation/Request	...
2009 Request	...
Program Improvements/Offsets	...

Proposed Actions

No additional funds are requested for the Indian Housing Loan Guarantee Fund in fiscal year 2009. These costs are accounted for within the salaries and expenses account.

PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
Program Offsets
(Dollars in Thousands)

Loan Guarantee Contracts	**Amount**
2007 Appropriation	...
2008 Appropriation/Request	...
2009 Request	$750
Program Improvements/Offsets	+750

Proposed Actions

The Department proposes $750 thousand in fiscal year 2009 for Administrative Contract expenses including management processes and systems necessary to carry out the guaranteed loan program. This funding will continue the transition to contractual services to meet the growing demands placed on the program by increased loan activity. The contractor will be responsible for servicing functions, which includes capturing pertinent payment information from lender data, producing timely reports, and tracking performance trends. Other duties will include efforts to increase the data elements collected during the mortgage process. This data will enhance the development of performance measures, and risk modeling for credit reform estimates and calculations for the loan guarantee program.

PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
Performance Measurement Table

Program Name: **INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)**

Program Mission: This program is authorized by Section 184 of the Housing and Community Development Act of 1992, Public Law 102-550, enacted October 28, 1992, as amended. Funding for this program provides loan guarantees of up to 100 percent for Native American families, Indian tribes, and tribally designated housing entities to purchase, construct, and/or rehabilitate single family homes on trust or restricted land and in designated Indian areas. It has made possible the private financing of home mortgages by private financial institutions, which would otherwise not have been possible because of the unique legal status of Indian lands.

Performance Indicators	**Data Sources**	**Performance Report**		**Performance Plan**	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
The Office of Public and Indian Housing will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.	PIH ONAP administrative data	$197.3 million	$223.9 million	$247.5 million/ 1500 loans	1,700

Explanation of Indicators

Indicator: The Office of Public and Indian Housing will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.

PIH manages the following programs providing homeownership opportunities:

- The Indian Housing Block Grant and Native Hawaiian Housing Block Grant programs address the severe shortages of affordable housing in Indian Country and in Hawaii.
- The HOPE VI program, which has a goal to create 10,000 new homeownership units between fiscal years 2006 and 2011.
- The Section 184 Loan Guarantee program promotes homeownership among Native Americans by providing access to market-rate financing.
- The Section 184A Loan Guarantee Program for Native Hawaiians provides guaranteed loans to qualified Native Hawaiians.
- The homeownership option under the Housing Choice Voucher, Family Self-Sufficiency, and Moving-to-Work programs increases homeownership among low-income and minority households by allowing PHAs to provide voucher assistance to first-time homebuyers for monthly homeownership expenses rather than for monthly rental payments, the most typical use of voucher assistance.

Under the Department's fiscal year 2009 streamlining initiative, goals for PIH programs that provide homeownership opportunities have been combined into one goal – to assist 9,000 families (1,700 from 184 loans) by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase. The goal for fiscal year 2008 is to create 1500 new loans for homeownership units; however, this new indicator will measure the number of homeownership units completed or families receiving initial homeownership assistance programwide during fiscal year 2009.

The Office of Native American Programs (ONAP) tracks the annual number of Native Americans homeownership loans guaranteed under Section 184. During the fiscal year 2007, the program guaranteed $223.9 million in loans, exceeding the amended target of $197.3 million by more than 13.5 percent, and exceeding the fiscal year 2006 total by almost 30 percent. In March 2007, the Annual Performance Plan was amended to increase the goal from $159.6 million to $197.3 million. This increase was due to the aggressive marketing and robust program activity. In addition, the program has successfully used a team approach to educate tribes and individual Native Americans about the benefits of homeownership. HUD relies on a network of approved lenders to finance mortgage transactions through a public/private partnership. HUD underwrites most of the files, accounting for the consistent performance of the loan portfolio. The target in fiscal year 2008 is $247.5 million and $327.4 million in fiscal year 2009. This represents 1,500 loans, with an estimated average loan amount of $165,000. The program's long-term goal is to ensure an adequate supply of safe, decent, affordable housing by guaranteeing 2,000 loans annually, by fiscal year 2011.

The Office of Loan Guarantee continues to collaborate with the National Council of State Housing Agencies to increase participation of State Housing Finance Agencies (HFA) in the Section 184 program. The emphasis on HFA involvement will provide low-cost home financing to Native Americans while reducing the risks associated with trust land transactions for the HFAs.

PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
Justification of Proposed Changes in Appropriations Language

For the cost of guaranteed loans, as authorized by section 184 of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z–13a), $9,000,000, to remain available until expended: Provided, That such costs, including the costs of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974, as amended: Provided further, That these funds are available to subsidize total loan principal, any part of which is to be guaranteed, not to exceed $420,000,000: Provide further, That $750,000 shall be for administrative contract expenses including management processes and systems necessary to carry out the loan guarantee program.

Explanation of Changes

No change in language.

PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Loan Guarantee Credit Subsidy	$5,750	...	...	...	$5,849	$11,599
Administrative Expenses	250	...	...	...	...	250
Loan Guarantee Contracts	...	...	...	...	...	...
Total	6,000	...	...	...	5,849	11,849

Transfers to Other Accounts

For administrative expenses, $250 thousand has been transferred to the salaries and expenses account to be used for the administrative cost of the Indian Housing Loan Guarantee Fund.

PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Loan Guarantee Credit Subsidy	...	$7,450	...	...	$5,216	$12,666
Administrative Expenses	...	...	...	...	...	...
Loan Guarantee Contracts	...	...	...	...	...	...
Total	...	7,450	...	...	5,216	12,666

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN HOUSING BLOCK GRANTS
2009 Summary Statement and Initiatives
(Dollars in Thousands)

NATIVE HAWAIIAN HOUSING BLOCK GRANTS	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	$8,727	$8,727	...	$17,454	$8,460	$8,378
2008 Appropriation/Request	9,000	8,994	...	17,994	17,994	7,076
2009 Request	5,940	...	...	5,940	5,940	5,940
Program Improvements/Offsets	-3,060	-8,994	...	-12,054	-12,054	-1,136

Summary Statement

The Office of PIH requests $5.9 million for the Native Hawaiian Housing Block Grants (NHHBG) account for fiscal year 2009. This is a decrease of $3 million from the 2008 enacted level of $9 million, however, the current request along with carryover balance is sufficient enough to meet the anticipated performance results. Of this amount, the Department is requesting $299.2 thousand as a set-aside for training, technical assistance, and related travel in fiscal year 2009. This program provides grants for housing and housing-related assistance to the Department of Hawaiian Home Lands (DHHL). Native Hawaiians experience the worst housing conditions in the State of Hawaii and constitute approximately 30 percent of its homeless population. Overcrowding in these households exceeds 36 percent, as compared to 3 percent of households throughout the Nation. This program provides grants for housing and housing-related assistance to the DHHL to carry out affordable housing activities for Native Hawaiian families who are eligible to reside on the Hawaiian Home Lands. A full-time Native Hawaiian program specialist is stationed in the Hawaii State Office to assist DHHL.

Strategic Goals and Objectives

The Native Hawaiian Housing Block Grant program supports the President’s goal and the Department’s Goal A: Increase homeownership opportunities. In fiscal year 2009, PIH will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase of which 65 are projected to be from this program.

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN HOUSING BLOCK GRANTS
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Grants	$8,378	$8,378	$16,756	$8,378	$8,700	$8,378	$17,078	$5,641
Technical Assistance ..	349	349	698	82	300	616	916	299
Total	8,727	8,727	17,454	8,460	9,000	8,994	17,994	5,940

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	1	1	1
Field	...	...	...
Total	1	1	1

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN HOUSING BLOCK GRANTS
Program Offsets
(Dollars in Thousands)

Grants	**Amount**
2007 Appropriation	$8,378
2008 Appropriation/Request	8,700
2009 Request	5,641
Program Improvements/Offsets	-3,059

Proposed Actions

The Department proposes $5.6 million for NHHBG in fiscal year 2009 to provide grants for housing and housing-related assistance to eligible Native Hawaiian families through DHHL. The Hawaiian Homelands Homeownership Act of 2000 (25 U.S.C. 4221 et seq.) was signed on December 27, 2000. Numerous studies have documented the housing needs of Native Hawaiians who are either eligible to reside on, or now live on, the Hawaiian Home Lands. Native Hawaiians experience the worst housing conditions in the State of Hawaii and constitute approximately 30 percent of its homeless population. HUD issued a 1995 report, which cited evidence that Native Hawaiians have the highest percentage of housing problems (49 percent) in the United States. Overcrowding in these households exceeds 36 percent, as compared to 3 percent of households throughout the Nation. This housing block grant program provides an allocation of funds to assist and promote affordable housing activities to develop, maintain and operate affordable housing for eligible low-income Native Hawaiian families.

The Office of Native American Programs (ONAP), under the jurisdiction of the Assistant Secretary for Public and Indian Housing, is tasked with the responsibility to administer all programs for American Indians, Alaska Natives and Native Hawaiians. All current programs, including the Native Hawaiian Housing Block Grant program, (authorized by Title VIII of the Native American Housing Assistance and Self-Determination Act of 1996, as amended (25 U.S.C. 4101 et seq.)), are managed by ONAP.

The NHHBG program provides annual grants to DHHL for housing and housing-related assistance, pursuant to an annual housing plan, within the area in which DHHL is authorized to provide that assistance. DHHL uses performance measures and benchmarks that are consistent with the national goals of the program, but it can base these measures on the needs and priorities that it establishes in its 5- and 1-year housing plans. ONAP staff monitor the DHHL to ensure compliance with the objectives of the housing plan.

The NHHBG allows the DHHL to develop and support affordable rental and homeownership housing and provide housing services through the following eligible activities:

Development. Grant funds may be used to support acquisition, new construction, reconstruction or moderate or substantial rehabilitation of affordable housing, which may include real property acquisition, site improvement, development of utilities and utility services, conversion, demolition, financing, administration and planning, and other housing-related activities.

Housing Services. Grant funds may be used to support housing-related services including housing counseling in connection with rental or homeownership assistance, the establishment of resident management corporations, energy auditing, activities related to the provision of self-sufficiency and other services related to assisting owners, tenants, contractors and other entities participating or seeking to participate in other housing activities.

Housing Management Services. Grant funds may be used to support management services for affordable housing, including the preparation of work specifications, loan processing, inspections, tenant selection, management of tenant-based rental assistance, and management of affordable housing projects.

Crime Prevention and Safety Activities. Grant funds may be used to support safety, security and law enforcement measures, and activities appropriate to protecting residents of affordable housing from crime.

Model Activities. The Department may approve housing activities under model programs that are designed to develop and support affordable housing.

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN HOUSING BLOCK GRANTS
Program Offsets
(Dollars in Thousands)

Technical Assistance	**Amount**
2007 Appropriation	$349
2008 Appropriation/Request	300
2009 Request	299
Program Improvements/Offsets	-1

Proposed Actions

The Department is requesting $299 thousand for Technical Assistance, of which up to $100,000 may be used for related travel. This will support contract expertise, training and technical assistance to engage in the management and oversight of Native Hawaiian housing. These activities include, but are not limited to, training, technical assistance and related travel for the Department of Hawaiian Home Lands, the Office of Hawaiian Affairs, and certain non-profit organizations.

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN HOUSING BLOCK GRANTS
Performance Measurement Table

Program Name: **NATIVE HAWAIIAN HOUSING BLOCK GRANT FUND**

Program Mission: The Hawaiian Homelands Homeownership Act of 2000 (25 U.S.C. 4221 et seq.) was signed on December 27, 2000. Numerous studies have documented the housing needs of Native Hawaiians who are either eligible to reside on, or now live on, the Hawaiian Home Lands. Native Hawaiians experience the worst housing conditions in the State of Hawaii and constitute approximately 30 percent of its homeless population. The Department issued a 1995 report, which cited evidence that Native Hawaiians have the highest percentage of housing problems (49 percent) in the United States. Overcrowding in these households exceeds 36 percent, as compared to 3 percent of households throughout the nation. This housing block grant program provides an allocation of funds to assist and promote affordable housing activities to develop, maintain and operate affordable housing for eligible low-income Native Hawaiian families.

Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
The Office of Public and Indian Housing will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase with a projection of 65 from NHHBG.	PIH ONAP administrative data	101	65	101	65

Explanation of Indicators

Indicator: The Office of Public and Indian Housing will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.

The Office of PIH manages the following programs providing homeownership opportunities:

- The Indian Housing Block Grant and Native Hawaiian Housing Block Grant programs address the severe shortages of affordable housing in Indian Country and in Hawaii.
- The HOPE VI program, which has a goal to create 10,000 new homeownership units between fiscal years 2006 and 2011.
- The Section 184 Loan Guarantee program promotes homeownership among Native Americans by providing access to market-rate financing.
- The Section 184A Loan Guarantee Program for Native Hawaiians provides guaranteed loans to qualified Native Hawaiians.
- The homeownership option under the Housing Choice Voucher, Family Self-Sufficiency, and Moving-to-Work programs increases homeownership among low-income and minority households by allowing PHAs to provide voucher assistance to first-time homebuyers for monthly homeownership expenses rather than for monthly rental payments, the most typical use of voucher assistance.

Native Hawaiian Housing Block Grants

Under the Department’s fiscal year 2009 streamlining initiative, goals for PIH programs that provide homeownership opportunities have been combined into one goal-–to assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase. The goal for fiscal year 2008 is to create 65 families with homeownership activities; however, this new indicator will measure the number of homeownership units completed or families receiving initial homeownership assistance programwide during fiscal year 2009.

The Native Hawaiian Housing Block Grant (NHHBG) program is modeled after the Native American Housing Block Grant. This program provides block grant funding to the Department of Hawaiian Home Lands to carry out affordable housing activities for Native Hawaiian families who are eligible to reside on the Hawaiian Home Lands.

The NHHBG program has one grantee, the Department of Hawaiian Home Lands (DHHL), which provides services to eligible Native Hawaiian families. The NHHBG program is a relatively new program; the initial grant agreement between HUD and the grant recipient was executed in August 2002. Most of the programmatic activity by the grant recipient consists of infrastructure and site development, which is essential to support and facilitate future home construction. Activities also include housing construction and rehabilitation, and other housing-related activities. Rehabilitation activities began to show progress in fiscal year 2006. DHHL has the discretion, within the statutory confines of the program, to decide what types of housing assistance to provide with program funds.

In fiscal year 2005, 72 Native Hawaiian families received a new home under this program. In fiscal year 2006, this program built 12 new homeownership units and acquired 11 units, a total of 23 households assisted. Although this represented only 25 percent of the annual goal, there were more than 100 new units in the construction pipeline at the end of 2006. The goal for fiscal year 2007 was to assist 101 families. The actual fiscal year 2007 accomplishment, 65 units, fell short of the goal by about 35 percent, but exceeded the fiscal year 2006 level by 183 percent. In October 2007, approximately 200 units started construction or rehabilitation activities, of which 110 are forecast for completion in fiscal year 2008 compared to 101 in fiscal year 2007. However, unforeseen delays caused production to fall short of the forecasts for the last 3 years. Several factors such as building permit delays, lack of availability of rehabilitation contractors, necessary extensive homebuyer counseling, and unanticipated environmental review delays etc., were contributory for the shortfall. The revised targets are realistic and attainable, and upon achievement, will indicate a thriving program and steady progress toward long-term goals. More experience with the program should result in more refined production forecasts. As the program matures, it is anticipated that the program activity will increase.

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN HOUSING BLOCK GRANTS
Justification of Proposed Changes in Appropriations Language

For the Native Hawaiian Housing Block Grant program, as authorized under title VIII of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4111 et seq.), $5,940,000 to be available until expended, of which $299,211 shall be for training and technical assistance activities including up to $100,000 for related travel.

Explanation of Changes

There are no proposed changes.

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN HOUSING BLOCK GRANTS
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Grants	$8,378	...	...	...	$8,378	$16,756
Technical Assistance	349	...	...	...	349	698
Total	8,727	...	...	...	8,727	17,454

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN HOUSING BLOCK GRANTS
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Grants	...	$8,700	...	...	$8,378	$17,078
Technical Assistance	...	300	...	...	616	916
Total	...	9,000	...	...	8,994	17,994

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
2009 Summary Statement and Initiatives
(Dollars in Thousands)

NATIVE HAWAIIAN LOAN GUARANTEE	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	$891	$4,723	...	$5,614	$35	...
2008 Appropriation/Request	1,044	5,579	...	6,623	590	$590
2009 Request	...	6,033	...	6,033	679	679
Program Improvements/Offsets	-1,044	+454	...	-590	+89	+89

Summary Statement

No additional funds are requested for the Native Hawaiian Loan Guarantee Fund (Section 184A) in fiscal year 2009. The projected demand for loan guarantees can be met with the program's $5.6 million unobligated balance and loan guarantee carryovers.

The Section 184A program has experienced a slow start-up during its early years of implementation. To date, 11 homes have been built on Hawaiian Home Lands, with HUD guaranteeing approximately $1.7 million in financing. There is still a continued need for housing assistance on Hawaiian Home Lands. In tribal communities, the transition to homeownership is hampered by the lack of access to credit and the need for individual counseling. After several years of relatively slow activity there is a growing awareness and confidence in the program.

HUD's Office of Native American Programs, Office of Loan Guarantee, met with the Hawaiian Homes Commission, the Department of Hawaiian Home Lands (DHHL), and local lenders in the spring of 2007 to discuss the underutilization of the Section 184A program. As a result of the meeting, the Office of Loan Guarantee was able to identify unique considerations that would influence access to capital on the Hawaiian Home Lands. The Office of Loan Guarantee is working with DHHL and lenders to develop a program guidebook that clarifies specific lending concerns. HUD anticipates the growth rate of the Section 184A program to soon begin mirroring the performance of the Section 184 program.

Strategic Goals and Objectives

Native Hawaiian Loan Guarantee Fund supports the President's goal and the Department's Goal A: Increase homeownership opportunities. In fiscal year 2009, the Office of Public and Indian Housing will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase, of which 100 will be from this program.

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Loan Guarantee Credit Subsidy	$856	$4,723	$5,579	...	$1,044	$5,579	$6,623	...
Administrative Expenses	35	...	35	$35	...	...	...	...
Total	891	4,723	5,614	35	1,044	5,579	6,623	...

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	1	1	1
Field	...	...	...
Total	1	1	1

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
Program Offsets
(Dollars in Thousands)

Loan Guarantee Credit Subsidy	**Amount**
2007 Appropriation	$856
2008 Appropriation/Request	1,044
2009 Request	...
Program Improvements/Offsets	-1,044

	Actual 2007		**Estimate 2008**	**Estimate 2009**
			(Dollars in Thousands)	
Native Hawaiian Loan Guarantee - Summary of Loan Activity				
Number of Loans Endorsed	0		50	100
Average Loan Size of Endorsed Loans	0		$240	$190
Number of Loans in Delinquent Status at End of Fiscal Year	0		0	0
Number of Loans that Defaulted in Fiscal Year	0		0	0
Total Number of Loans in Default	0		0	0
Loan Guarantee Commitment Limitation	$36,425	a/	41,504	0
Subsidy Rate	2.35		2.42	2.52

a/ This is the amount of guaranteed loan commitments made; the fiscal year 2007 loan guarantee commitment limitation is $35.7 million.

Proposed Actions

No additional funds are requested for the Native Hawaiian Loan Guarantee Fund (Section 184A) in fiscal year 2009. The projected demand for loan guarantees can be met with the program’s $5.6 million unobligated balance and loan guarantees carryovers.

The loan guarantee program, known as Section 184A, was established by Section 514 of the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569, approved December 27, 2000), which amended the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13a). Funding for this program provides loan guarantees for Native Hawaiian individuals and families, the Department of Hawaiian Home Lands (DHHL), the Office of Hawaiian Affairs, and private, non-profit organizations experienced in the planning and development of affordable housing for Native Hawaiians. The loans may be used to purchase, construct, and/or rehabilitate single family homes on Hawaiian Home Lands. It makes possible the private financing of home mortgages by private financial institutions, which would otherwise not be possible because of the unique legal status of Hawaiian Home Lands.

Native Hawaiian Loan Guarantee Fund (Section 184A)

Lenders are hesitant to provide home mortgage financing when legal title to the real property cannot be used as collateral. This program provides access to sources of private financing for eligible Native Hawaiian families who wish to reside on Hawaiian Home Lands and who could not otherwise acquire private financing. Through this program, private financing will be used to cover construction or acquisition costs while Federal dollars are used only to guarantee payment in the event of a default.

The final regulations implementing the Native Hawaiian Loan Guarantee program became effective on December 29, 2003. The initial focus of the program had been on institutional transactions, with the DHHL serving as the borrower. In fiscal year 2006, HUD entered an agreement with the DHHL to expand the program to include individual Native Hawaiians. Additional marketing and outreach to Native Hawaiians who are eligible to reside in the Hawaiian Home Lands will be required to make the program more effective. The Office of Native American Programs has been working with the DHHL and lenders to increase program activity.

DHHL is in the midst of a 5-year development plan to provide housing opportunities to Hawaiian Home Land beneficiaries with a plan to award 6,000 residential leases. Aside from doing in-fill projects, DHHL has initiated the development of master-planned communities on Hawaiian Home Lands, where approximately 4,800 individual lots will be leased as improved lots, either for the lessee to construct a home, complete with a turnkey home, or with an arrangement for the construction of a self-help home. In each instance, the lessee will seek financing to construct or purchase his or her home. The Section 184A Loan Guarantee Program will provide a perfect complement to the limited amount of financing options available for properties on Hawaiian Home Lands.

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
Program Offsets
(Dollars in Thousands)

Administrative Expenses	**Amount**
2007 Appropriation	$35
2008 Appropriation/Request	...
2009 Request	...
Program Improvements/Offsets	...

Proposed Actions

No additional funds are requested for administrative expenses of the Native Hawaiian Loan Guarantee Fund (Section 184A) in fiscal year 2009. These costs are accounted for within the salaries and expenses account.

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
Justification of Proposed Changes in Appropriations Language

No additional funds are requested for this account in fiscal year 2009.

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
Performance Measurement Table

Program Name: **NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)**					
Program Mission: The loan guarantee program known as Section 184A was established by Section 514 of the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569, approved December 27, 2000), which amended the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13a). Funding for this program provides loan guarantees for Native Hawaiian individuals and families, the Department of Hawaiian Home Lands, the Office of Hawaiian Affairs, and private nonprofit organizations experienced in the planning and development of affordable housing for Native Hawaiians. The loans may be used to purchase, construct, and/or rehabilitate single family homes on Hawaiian Home Lands. It makes possible the private financing of home mortgages by private financial institutions, which would otherwise not be possible because of the unique legal status of Hawaiian Home Lands.					
Performance Indicators	**Data Sources**	**Performance Report**		**Performance Plan**	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
The Office of Public and Indian Housing will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase, of which 100 are from this program.	PIH Office Of Native American Programs Administrative Data	$12.8 million	$0	$12 million/ 50 loans	100 loans

EXPLANATION OF PERFORMANCE

Indicator: The Office of Public and Indian Housing will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.

The Office of PIH manages the following programs providing homeownership opportunities:

- The Indian Housing Block Grant and Native Hawaiian Housing Block Grant programs address the severe shortages of affordable housing in Indian Country and in Hawaii.
- The HOPE VI program, which has a goal to create 10,000 new homeownership units between fiscal years 2006 and 2011.
- The Section 184 Loan Guarantee program promotes homeownership among Native Americans by providing access to market-rate financing.
- The Section 184A Loan Guarantee Program for Native Hawaiians provides guaranteed loans to qualified Native Hawaiians.
- The homeownership option under the Housing Choice Voucher, Family Self-Sufficiency, and Moving-to-Work programs increases homeownership among low-income and minority households by allowing PHAs to provide voucher assistance to first-time homebuyers for monthly homeownership expenses rather than for monthly rental payments, the most typical use of voucher assistance.

Native Hawaiian Loan Guarantee Fund (Section 184A)

Under the Department’s fiscal year 2009 streamlining initiative, goals for PIH programs that provide homeownership opportunities have been combined into one goal-–to assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase. The goal for fiscal year 2008 is to assist 50 families and 100 families in fiscal year 2009, with new homeownership activities; however, this new indicator will measure the number of homeownership units completed or families receiving initial homeownership assistance program wide during fiscal year 2009. The Section 184A program was in a development phase in fiscal year 2007. HUD invested a great deal of time and energy on education and outreach to support initiatives by lenders and the DHHL. As a result of the homeownership and credit counseling programs sponsored by the DHHL, the Section 184A program will benefit from a larger pool of qualified borrowers. HUD experienced similar conditions during the early days of the Section 184 program (Section 184 is the similar loan guarantee program for American Indians and Alaska Natives). HUD anticipates the growth rate of the Section 184A program to begin mirroring the performance of the Section 184 program.

HUD projected 80 loan guarantees in fiscal year 2007 but did not meet its target. Although the program guaranteed no loans in fiscal year 2007, several necessary steps were taken to implement the program for the desired outcome: program guidelines for loans to individual native Hawaiians were developed; lender approval and quality control mechanisms were established; and underwriting and lending criteria that met the requirements of the Hawaiian Home Commission Act and Homestead policies were finalized in August 2007. The targets for fiscal years 2008 and 2009 were revised to reflect a realistic expectation for starting up this new initiative. More experience with the program should result in more refined production forecasts. As the program matures, it is anticipated that the program activity will increase.

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Loan Guarantee Credit Subsidy	$856	...	...	...	$4,723	$5,579
Administrative Expenses	35	...	...	...	...	35
Total	891	...	...	...	4,723	5,614

Transfers to Other Accounts

As authorized by Section 184A of the Housing and Community Development Act of 1992, $35 thousand was transferred to and merged with the appropriation for salaries and expenses to be used only for the administrative costs of the Native Hawaiian Loan Guarantee Fund.

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Loan Guarantee Credit Subsidy	...	$1,044	...	...	$5,579	$6,623
Administrative Expenses	...	...	...	...	...	...
Total	...	1,044	...	...	5,579	6,623

PUBLIC AND INDIAN HOUSING
REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
2009 Summary Statement and Initiatives
(Dollars in Thousands)

REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	$99,000	$61,783	-$2,534	$158,249	$60,130	$516,493
2008 Appropriation/Request	100,000	98,072	...	198,072	198,072	450,000
2009 Request	...	...	...	...	...	400,000
Program Improvements/Offsets	-100,000	-98,072	...	-198,072	-198,072	-50,000

Summary Statement

No additional funds are requested for the Revitalization of Severely Distressed Public Housing (HOPE VI) program in fiscal year 2009. The Department will use unobligated amounts and recoveries to administer program activities.

The HOPE VI program was developed in 1992 as a demonstration program to provide grants to Public Housing Agencies (PHAs) which enabled them to demolish obsolete public housing units, revitalize project sites, and provide replacement housing for those families displaced by demolition in order to lessen the concentrations of very low-income families. The Department has significantly exceeded its goal to demolish over 100,000 units of the nation's worst public housing. However, approximately $1.4 billion of the $6 billion in total appropriations remains in the pipeline and demands attention. The Department continues to work closely with grantees to implement grants in a timely manner. On average, the length of time to complete a project is 7.75 years. The Department will maintain the requisite monitoring, oversight personnel, and contracts to execute this responsibility. Funding for contracts that support the quarterly reporting system, technical assistance, risk management, training, and other activities will be supported through the Department's Salaries and Expenses account and the Technical Assistance set-aside in the Capital Fund account.

In fiscal year 2003, the HOPE VI program was evaluated by OMB's Program Assessment Rating Tool (PART) and found to be ineffective. The assessment revealed that the program is slow at completing the job of redevelopment and is more costly than other alternatives. Furthermore, in a Government Accountability Office (GAO) report (GAO-02-76), the housing-related costs of a HOPE VI unit were shown to be about 27 percent higher than a housing choice voucher unit and more than 40 percent higher when non-housing costs were included. In response to these findings and the fact that the program has largely accomplished its primary goal of eliminating the worst public housing, the budget does not include additional funding for the continuation of this program. Prior activities associated with this program will be continued through other Departmental programs. For instance, PHAs may continue using the mixed-finance approach to produce units utilizing their Capital Funds, which can be further leveraged under the Capital Fund Financing Program.

Initiatives

No new initiatives are requested for this program in fiscal year 2009.

PUBLIC AND INDIAN HOUSING
REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Revitalization Grants .	$94,486	$61,783	$156,269	$60,130	$97,600	$95,389	$192,989	...
Technical Assistance ..	1,980	...	1,980	2,196	2,400	2,683	5,083	...
Total	96,466	61,783	158,249	62,326	100,000	98,072	198,072	...

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	42	46	45
Field	35	36	40
Total	77	82	85

PUBLIC AND INDIAN HOUSING
REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
Program Offsets
(Dollars in Thousands)

Revitalization Grants	**Amount**
2007 Appropriation	$94,486
2008 Appropriation/Request	97,600
2009 Request	...
Program Improvements/Offsets	-97,600

Proposed Actions

No budget authority is requested for the HOPE VI program for fiscal year 2009. The fiscal year 2009 goals for this program are to be accomplished with previously awarded grants that are in the implementation stage.

As a result of this program and other initiatives, the Department’s goals for demolition of the worst public housing have been met. The Department will maintain the requisite monitoring, oversight personnel, and contracts to execute this responsibility. Contracts that support the quarterly reporting system, technical assistance, risk management, training, and other activities will be supported through prior year funding.

Though the Department is not requesting additional funds for this program, it is focused on continuing the progress of current projects and maximizing the effective use of program resources.

PUBLIC AND INDIAN HOUSING
REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
Program Offsets
(Dollars in Thousands)

Technical Assistance	**Amount**
2007 Appropriation	$1,980
2008 Appropriation/Request	2,400
2009 Request	...
Program Improvements/Offsets	-2,400

Proposed Actions

No budget authority is requested for the HOPE VI program for fiscal year 2009. The fiscal year 2009 goals for this program are to be accomplished with prior year funds. Technical assistance is used for the acquisition of contract expertise, training, oversight, monitoring, and travel. Recent HOPE VI technical assistance activities have included the submission, collection, and verification of HOPE VI data; conducting of risk assessments; ensuring compliance with production goals; HUD Headquarters and field office travel; and training, program support, and capacity development for PHAs. In fiscal year 2007, technical assistance funds were used for HOPE VI data collection and training.

PUBLIC AND INDIAN HOUSING
Revitalization of Severely Distressed Public Housing (HOPE VI)
Performance Measurement Table

Program Name: **REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)**

Program Mission: Eliminate the worst public housing by demolishing unsustainable developments and rebuilding communities in accordance with community-sensitive principles.

Performance Indicators	**Data Sources**	**Performance Report**		**Performance Plan**	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
The HOPE VI Revitalization Development program for public housing demolishes 882 units and completes 4,481 units in fiscal year 2009.	HOPE VI Quarterly Progress Reporting System; fiscal year 2005 Performance & Accountability Report; fiscal year 2007 Annual Performance Plan	1,378 households relocated; 4,209 units demolished; 8,745 new & rehabilitated units; 8,293 units occupied.	3,685 households relocated; 6,601 units demolished; 8,436 new & rehabilitated units; 7,793 units occupied.	300 households relocated; 980 units demolished; 4,979 new & rehabilitated units; 4,562 units occupied.	882 units demolished; 4,481 new & rehabilitated units.
Ensure that unit production is completed for 103 HOPE VI grants awarded from fiscal years 1993 through 2004.	HOPE VI Reporting	7.75 years; 75 grants completed	7.31 years; 76 grants completed	7.75 years; 89 grants completed	103 grants completed
The Department will approve and facilitate $635 million of activity using alternative financing methods (i.e., bonds through the Capital Fund Financing Program (CFFP), tax credits, and Energy Service Company (ESCO) contracts).	HOPE VI Reporting	$650 million	$669 million	$650 million	$635 million
The Office of Public and Indian Housing will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase with 720 units projected from the HOPE VI program.	HOPE VI Quarterly Progress Reporting System	800	1,841	800	9,000 (720)

Explanation of Indicators

The HOPE VI program is a highly complex and ambitious program. Much of the program's success originated from the use of a mixed finance approach to development. However, this approach can be a challenge for PHAs to coordinate. Because performance goals are determined 2 years in advance, the projections often do not reflect significant changes or set-backs experienced by a PHA in the intervening years—these include unanticipated delays in the extensive planning and partnering process, unforeseen environmental conditions, and lawsuits. Such influencing factors can contribute to a delay in the number of demolitions completed. Despite such influencing factors, the PHAs' and program office's ability to manage and monitor these projects has improved continuously over the life of the program.

Revitalization of Severely Distressed Public Housing

The HOPE VI program continues to improve the timeliness and accountability in the implementation of HOPE VI grants. The primary tools for achieving these objectives include vigilant management and monitoring of grants by grant managers, holding PHAs accountable to following their program schedule, extensive use of the Quarterly Progress Reporting System in all aspects of the HOPE VI program, risk assessment of grantees, trainings and workshops for grantees, and a range of program and policy guidance. Since program inception, a cumulative total of 68,657 households have been relocated, 87,445 units have been demolished, 61,222 units (new and rehabilitated) have been completed, and 58,719 completed units have been occupied.

Indicator: The HOPE VI Revitalization Development program for public housing demolishes 882 units and completes 4,481 units in fiscal year 2009.

HOPE VI is HUD's primary program for eliminating distressed public housing by demolishing unsustainable developments and rebuilding in accordance with community-sensitive principles. However, because of the extensive planning and partnering involved, PHAs have been slower in implementing HOPE VI revitalization plans than was anticipated. The Department established this annual indicator to track the number of HOPE VI revitalization plans that are being implemented in terms of four key outputs: tenants relocated to permit redevelopment, units demolished, new and rehabilitated units completed, and units occupied.

From July 1, 2006 through June 30, 2007, the HOPE VI Revitalization program successfully accomplished two of the four program output goals. Grantees relocated 3,685 households to permit redevelopment, approximately 167 percent above the goal of 1,378 relocations. Grantees demolished 6,601 units, exceeding the goal of 4,209 units by 57 percent. Completions of new or rehabilitated units totaled 8,436, reaching 97 percent of the 8,745-unit goal. Families occupied 7,793 units, approximately 6 percent less than the goal of 8,293 occupied units. The fiscal year 2007 achievement is attributable to HUD's continued emphasis on timeliness and accountability in the implementation of HOPE VI grants and the PHAs on-going efforts to meet the commitments of their revitalization plans. The Department anticipates grantees' continued production in homeownership options.

Since program inception, HOPE VI has provided $6 billion in competitive grants. Cumulative results total 68,657 households relocated, 87,445 units demolished, 61,222 units (new and rehabilitated) completed, and 58,719 completed units occupied. These results will increase as the $1.4 billion pipeline in HOPE VI funds is expended. HUD continues to work closely with grantees to implement the remaining grants in a timely manner and to positively affect the affected communities. The goals for fiscal year 2009 (270 households relocated; 882 units demolished; 4,481 units completed and 4,106 units occupied) are lower than fiscal year 2007 to reflect a decrease in activities as grants near completion. Due to Departmental streamlining of performance goals, this indicator has been revised to reflect demolition and rehabilitation activities only. This indicator included components for the relocation of households (to permit redevelopment) and the occupancy of the units (the outcome from the units' completion). However, since the Department has another indicator to track the number of completed projects, the Department will only report on these two elements as they are most significant in representing the project completion process.

Indicator: Ensure that unit production is completed for 103 HOPE VI grants awarded from fiscal years 1993 through 2004.

Through its Strategic Plan, the Department continues to emphasize the importance of timeliness and accountability in its programs, including HOPE VI. That is, the more quickly projects are completed; the more quickly homeownership and affordable housing opportunities will become available. However, because of the extensive planning and partnering involved, as well as extenuating circumstances, grantees have been implementing their HOPE VI redevelopment plans more slowly than was anticipated. Nevertheless, HUD has worked diligently with grantees to shorten the time they need to finish projects, and to increase the total number of projects completed, as measured by completion of all units (whether public housing, tax credit, market-rate, or homeownership) proposed in the revitalization plan.

The Strategic Plan establishes a target of 7 years from the execution of the Grant Agreement as the average length of time for completion of all units in HOPE VI projects. In the fiscal year 2008 Annual Performance Plan Appendix A, the average length of time for completion was increased from 7 to 7.75 years and the number of completed HOPE VI grants was reduced from 85 to 75 grants. The hurricanes in the Gulf Coast area continue to have a significant negative affect on the construction industry, including HOPE VI

grantees in the affected areas and beyond. The cost of construction has greatly increased and there is a shortage of resources in general, as priority is given often to the Gulf Coast area and its immense construction needs. These increased costs and resource shortages affect the housing industry in general, including grantees outside the Gulf Coast area. Some PHAs have experienced difficulties in obtaining the necessary financing (for example, tax credits, conventional financing) to meet the time frame for which they originally planned.

From July 1, 2006, through June 30, 2007, the average length of time for completion of all units in HOPE VI projects was 7.31 years, surpassing the goal of 7.75 years by more than 5 months. Additionally, a total of 76 HOPE VI grants awarded from fiscal year 1993 through fiscal year 2004 completed all unit production, exceeding the goal by one. Fiscal year 2007 was the first year this goal was tracked in the Annual Performance Plan and Performance and Accountability Report. The fiscal year 2007 fiscal year achievement is attributable to HUD's continued emphasis on timeliness and accountability in the implementation of HOPE VI grants and the PHAs ongoing efforts to meet the commitments of their revitalization plans. The Department's goals for fiscal year 2009 are to achieve an average length of time for completion of 7.75 years and the completion of all unit production for 105 projects. For fiscal year 2009, this goal has been modified to eliminate the computation of the average length of time for grants to reach project completion. The Department believes that it is more meaningful to track the number of grants that have reached unit production, as that is the end goal, rather than the length of time.

Indicator: The Department will approve and facilitate $635 million of activity using alternative financing methods (e.g., the HOPE VI program, bonds through the Capital Fund Financing Program, energy performance contracts, etc.).

The mixed-financing approach to replacement public housing development is the single most important development tool currently available to PHAs implementing HOPE VI revitalization projects. It emphasizes the formation of new public and private partnerships to ensure long-term sustainability of public housing developments and the leveraging of public and private resources to transform the isolated communities in which many public housing residents live into vibrant and sustainable mixed-income communities with a wide range of family incomes. Such financing will help ensure the realization of performance goals and their contribution toward the Department's strategic goals for homeownership and affordable housing. Due to Departmental streamlining of performance goals, the Department decided to report on PIH's leveraging of governmental resources in fiscal year 2009 on a consolidated basis.

In the fiscal year 2008 Annual Performance Plan appendix, the fiscal year 2007 goal was reduced from $800 million to $650 million because some HOPE VI project activity is delayed due to increased costs and resource shortages in the housing industry, effecting finalization of financing in some cases. From July 1, 2006, through June 30, 2007, the HOPE VI program leveraged $669 million in other financing, surpassing its goal of $650 million by 3 percent. The fiscal year 2007 achievement is attributable to HUD's continued emphasis on timeliness and accountability in the implementation of HOPE VI grants and the PHA's on-going efforts to meet the commitments of their revitalization plans.

Energy Performance Contracts will be an important tool in a PHA's toolbox for controlling utility and maintenance costs. Energy Performance Contracting is an innovative financing technique that uses cost savings from reduced energy consumption to repay the cost for installing energy conservation measures. In addition, the Federal Energy Policy Act of 2005 extends the allowable payback period for energy performance contracts from 12 to 20 years. This longer payback period makes these contracts financially more attractive for small and medium size PHAs and can generate funding to incorporate more energy-saving retrofits into any Energy Performance Contract.

HUD initiated implementation of the 25-point Phase II Energy Plan in fiscal year 2007. A detailed implementation plan was prepared in March 2007 which describes the specific activities to be undertaken in fiscal years 2007 and 2008. The Department continued to make energy a policy priority in discretionary grant programs through HUD's Super Notice of Funding Availability, and the Department conducted the second annual webcast/satellite broadcast on the points awarded for Energy to grant applicants. Public and Indian Housing provided technical support to PHAs to implement energy performance contracts, continued to develop a utility benchmarking tool that will assist PHAs in managing energy, and operated a Public Housing Energy Conservation Clearinghouse. HUD's ten Regional Energy Coordinators continued to play a prominent role in leveraging resources for HUD customers and partners, and in working with offices in conducting training and outreach.

Significant progress was made in reporting energy savings projects from four sources: energy performance contracts in public housing, HOME, CDBG, and Energy Efficient Mortgages. In general, however, HUD's ability to measure, track, or report energy savings achieved as a result of its energy initiatives remains limited. Apart from savings achieved through energy performance contracts, a tool that is available to a limited number of housing authorities, there are no mechanisms in place to document energy savings in public housing through means other than energy performance contracts. Similarly, no mechanisms are in place to measure or report on energy savings in HUD's assisted or insured multifamily portfolio. No data are available on energy savings achieved in HOPE VI new construction projects, or in Section 202 or 811 new construction or housing rehabilitation. The Department will continue to work to put in place sampling or other methodologies to track and/or report energy savings.

Indicator: The Office of Public and Indian Housing will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.

The Office of PIH manages the following programs providing homeownership opportunities:

- The Indian Housing Block Grant and Native Hawaiian Housing Block Grant programs address the severe shortages of affordable housing in Indian Country and in Hawaii.
- The HOPE VI program, which has a goal to create 10,000 new homeownership units between fiscal year 2006 and fiscal year 2011.
- The Section 184 Loan Guarantee program promotes homeownership among Native Americans by providing access to market-rate financing.
- The Section 184A Loan Guarantee Program for Native Hawaiians provides guaranteed loans to qualified Native Hawaiians.
- The homeownership option under the Housing Choice Voucher, Family Self-Sufficiency, and Moving-to-Work programs increases homeownership among low-income and minority households by allowing PHAs to provide voucher assistance to first-time homebuyers for monthly homeownership expenses rather than for monthly rental payments, the most typical use of voucher assistance.

Under the Department's fiscal year 2009 streamlining initiative, goals for PIH programs that provide homeownership opportunities have been combined into one goal-–to assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase. The goal for fiscal year 2008 is to create 800 new homeownership units; however, this new indicator will measure the number of homeownership units completed or families receiving initial homeownership assistance programwide during fiscal year 2009.

In the HOPE VI program, the fiscal year 2007 goal to create 800 homeownership units was exceeded by 130 percent. From July 1, 2006 through June 30, 2007, the HOPE VI program created 1,841 homeownership units. Cumulatively, as of June 30, 2007, approximately 8,629 homeownership units had been produced through the program. The fiscal year 2007 achievement is attributable to HUD's continued emphasis on timeliness and accountability in the implementation of HOPE VI grants and the PHAs on-going efforts to meet the commitments of their revitalization plans. The Department anticipates grantees' continued production in homeownership options with 720 units projected in fiscal year 2009.

PUBLIC AND INDIAN HOUSING
REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
Justification of Proposed Changes in Appropriations Language

The 2009 proposed President's budget does not request additional funds, therefore no language is proposed.

PUBLIC AND INDIAN HOUSING
REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Revitalization Grants	$97,020	-$2,534	...	...	$61,783	$156,269
Technical Assistance	1,980	...	...	...	...	1,980
Total	99,000	-2,534	...	...	61,783	158,249

PUBLIC AND INDIAN HOUSING
REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Revitalization Grants	$97,600	$97,600	...	...	$95,389	$192,989
Technical Assistance	2,400	2,400	...	...	2,683	5,083
Total	100,000	100,000	...	...	98,072	198,072

PUBLIC AND INDIAN HOUSING
LOW-RENT PUBLIC HOUSING ASSISTANCE
2009 Summary Statement and Initiatives
(Dollars in Thousands)

LOW-RENT PUBLIC HOUSING ASSISTANCE TO PHAS	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	$2,000	...	...	$2,000	$871	-$33,938
2008 Appropriation/Request	1,000	...	...	1,000	1,000	1,000
2009 Request	1,000	...	...	1,000	1,000	1,000
Program Improvements/Offsets	...	...	...	...	...	...

Summary Statement

The fiscal year 2009 budget assumes that $1 million of permanent indefinite authority will be used to provide funding for remaining Public Housing development and modernization activities in the pipeline that were reserved under the “Annual Contributions for Assisted Housing” (ACAH) appropriations through 1986. No discretionary appropriation is required. The budget authority and outlay estimates for fiscal year 2009 are projected to be $1 million.

Initiatives

This is a liquidating account reflecting pre-1992 loan activity. Therefore, there are no initiatives proposed for fiscal year 2009.

PUBLIC AND INDIAN HOUSING
LOW-RENT PUBLIC HOUSING ASSISTANCE
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Low-Rent Public Housing Assistance (mandatory)	$2,000	...	$2,000	$2,000	$1,000	...	$1,000	$1,000
Total	2,000	...	2,000	2,000	1,000	...	1,000	1,000

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	...	...	...
Field	...	...	...
Total	...	...	...

PUBLIC AND INDIAN HOUSING
LOW-RENT PUBLIC HOUSING ASSISTANCE
Program Offsets
(Dollars in Thousands)

Low-Rent Public Housing Assistance (mandatory)	**Amount**
2007 Appropriation	$2,000
2008 Appropriation/Request	1,000
2009 Request	1,000
Program Improvements/Offsets	...

Proposed Actions

The Department proposes $1 million of mandatory budget authority for the Low-Rent Public Housing Assistance Fund program for fiscal year 2009. This program has not received new appropriations since fiscal year 1986. The program is now in a liquidating status with permanent indefinite borrowing authority and is classified as mandatory. The Department borrows from Treasury each year to close pipeline loan commitments. Once the commitment is closed, both the Department and the Treasury forgive the loan.

Historically, the Department has been using borrowing authority to finance the obligations and expenditures of the Low-Rent Public Housing program. In order to finance project construction, housing authorities issued bonds to private investors. In addition to bonds, the Department made loans to the housing authorities that were later sold to the Federal Financing Bank (FFB). HUD assumed responsibility for the repayment of both the loans and private investor bonds. In 1986, Public Law 99-272 was passed to forgive this debt from the housing authorities and converted the program to a grant program.

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

PUBLIC AND INDIAN HOUSING
LOW-RENT PUBLIC HOUSING ASSISTANCE
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Low-Rent Public Housing Assistance (mandatory)	$2,000	...	...	...	...	$2,000
Total	2,000	...	...	...	...	2,000

PUBLIC AND INDIAN HOUSING
LOW-RENT PUBLIC HOUSING ASSISTANCE
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Low-Rent Public Housing Assistance (mandatory)	$1,000	$1,000	...	...	...	$1,000
Total	1,000	1,000	...	...	...	1,000