DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
CONGRESSIONAL JUSTIFICATIONS
INTRODUCTION
(Dollars in Millions)

The following table summarizes the Department's funding and staffing requests for fiscal years 2017 through 2019:

	2017 ACTUAL	2018 ANNUALIZED CR	2019 REQUEST
BUDGET AUTHORITY			
Discretionary (Gross)	$57,668	$47,730	$41,280
Offsetting Receipts	(13,994)	(10,343)	(10,067)
Discretionary (Net)	43,674	37,387	31,213
Mandatory (Net)	17,060	10,535	9,058
Total Budget Authority (Net)	**60,734**	**47,922**	**40,271**
BUDGET OUTLAYS			
Discretionary	$37,043	$42,946	$42,812
Mandatory	18,438	11,941	(592)
Total Budget Outlays	**55,481**	**54,887**	**42,220**
FULL-TIME EQUIVALENTS			
FTE Staff (includes S&E, OIG, WCF)	7,911	7,650	7,447

NOTES: Detail may not add to totals due to rounding.

Throughout the Justifications, all references to years refer to fiscal years (beginning October 1 and ending September 30) unless otherwise noted.

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2017-2019
(Dollars in Millions)

	2017 ACTUAL	2018 ANNUALIZED CR	2019 REQUEST
DISCRETIONARY PROGRAMS			
PUBLIC AND INDIAN HOUSING			
Rental Assistance Demonstration	...	...	$100
Tenant-Based Rental Assistance (TBRA)			
Section 8 Contract Renewals	$18,355	$18,228	18,749
Administrative Fees	1,650	1,641	1,550
Section 8 Rental Assistance (Tenant Protection Vouchers)	110	109	140
Advanced Appropriation for FY 2017	[4,000]	...	...
Advanced Appropriation for FY 2018	[(4,000)]	[4,000]	...
Advanced Appropriation for FY 2019	[…]	[(4,000)]	...
Advanced Appropriation for FY 2020	[…]	[…]	[4,000]
Mainstream Voucher Renewals	120	119	107
Veterans Affairs Supportive Housing	40	40	...
Tribal HUD VASH	7	7	4
Rental Assistance Demonstration (transfer)	[83]	[104]	[83]
Research and Technology (transfer)	...	...	...
Family Unification Program	10	10	...
Rescission of Disaster Housing Assistance Program	...	...	[(5)]
Total, TBRA	20,292	20,154	20,550
Family Self Sufficiency Program Coordinators	75	74	75
Public Housing Capital Fund			
Formula Grants	1,834	1,822	...
Resident Opportunity and Support Services (ROSS)	35	35	...
Emergency/Disaster Reserves	17	16	...
Administrative Receivership	1	1	...
Jobs Plus	15	15	...
Safety and Security	5	5	...
Financial and Physical Assessment	10	10	...
Lead-Based Hazards	25	25	...
Rental Assistance Demonstration (transfer)	[(36)]	[(33)]	...
Total, Public Housing Capital Fund	1,942	1,928	...
Choice Neighborhoods	138	137	...
Choice Neighborhoods Rescission	...	...	(137)
Hope VI Rescission	...	...	(1)
Public Housing Operating Fund			
Operating Subsidy	4,400	4,370	3,214
Competitive Demolition Grants	...	...	30
Emergency Disaster Reserve	...	...	10
Financial and Physical Assessments	...	...	14
Administrative and Judicial Receiverships	...	...	1
Shortfall Protection	...	...	[600]
Jobs Plus	...	...	10
Rental Assistance Demonstration (transfer)	[(110)]	[(125)]	[(166)]
Total, Public Housing Operating Fund	4,400	4,370	3,279

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2017-2019
(Dollars in Millions)

	2017 ACTUAL	2018 ANNUALIZED CR	2019 REQUEST
Native American Housing Block Grants			
Formula Grants	$645	$641	$598
Technical Assistance	4	3	...
National or Regional Organization	4	3	...
Research and Technology (transfer)	...	...	...
Title VI Federal Guarantees for Tribal Housing Activities			
Program Account	2	2	2
Loan Guarantee Limitation	[18]	[18]	[18]
Total, Native American Housing Block Grants	654	650	600
Indian Housing Loan Guarantee Fund			
Program Account	6	6	...
Loan Guarantee Contracts	1	1	...
Limitation Level	[1,190]	[1,190]	...
Total, Indian Housing Loan Guarantee	7	7	...
Native Hawaiian Loan Guarantee Fund			
Credit Subsidy	...	...	(5)
Limitation Level	[16]	[…]	[…]
Native Hawaiian Housing Block Grants	2	2	...
Subtotal, Public and Indian Housing	**27,509**	**27,322**	**24,461**
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Fund			
Entitlement/Non-entitlement	3,000	2,972	...
Insular Area CDBG	3	7	...
Indian Tribes	60	60	...
Disaster Assistance	9,603	...	...
Total, CDBG	12,666	3,039	...
HOME Investment Partnerships Program			
Formula Grants	948	942	...
Insular Areas	2	2	...
Total, HOME	950	944	...
Community Development Loan guarantees (Section 108)			
Loan Guarantee Limitation	[300]	[298]	...
Self-Help and Assisted Homeownership (SHOP)			
SHOP	10	10	...
Section 4 Capacity Building	35	35	...
Capacity Building for Rural Housing	5	5	...
SHOP for Veterans	4	4	...
Total, SHOP	54	54	...
Homeless Assistance Grants			
Competitive Grant Renewals (Shelter Plus Care and Supportive Housing)	2,018	2,004	2,121
Emergency Solutions Grants	310	308	255
National Homeless Data Analysis Project	12	12	7
Youth Demonstration	43	43	...
Total, Homeless	2,383	2,367	2,383

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2017-2019
(Dollars in Millions)

	2017 ACTUAL	2018 ANNUALIZED CR	2019 REQUEST
Housing Opportunities for Persons with AIDS (HOPWA)			
Formula Grants	$320	$318	$297
Competitive Grants	36	35	33
Total, HOPWA	356	353	330
Subtotal, Community Planning and Development	**16,409**	**6,756**	**2,713**
HOUSING PROGRAMS			
Project-Based Rental Assistance			
Section 8 Contract Renewals	10,334	10,267	10,704
Contract Administrators	235	233	245
Advanced Appropriation for FY 2016	[400]	...	...
Advanced Appropriation for FY 2017	[400]	...	...
Advanced Appropriation for FY 2018	[(400)]	[400]	[…]
Advanced Appropriation for FY 2019	[…]	[(400)]	[400]
Advanced Appropriation for FY 2020	[…]	[…]	[(400)]
Tenant Resources Network	3	...	3
Mod Rehab and SRO	244	242	195
Rental Assistance Demonstration (transfer)	[99]	[54]	[87]
Total, Project-Based Rental Assistance	10,816	10,743	11,147
Housing Counseling Assistance			
Housing Counseling Assistance	51	50	41
Administrative Contract Services	5	4	4
Total, Housing Counseling Assistance	55	55	45
Supportive Housing for the Elderly (Section 202)			
PRAC Renewals/Amendments	414	412	508
Service Coordinators/Congregate Housing Service Program	75	74	90
Senior Preservation Rental Assistance Contracts	10	10	...
Other Expenses	3	3	3
Total, Supportive Housing for the Elderly Housing	502	499	601
Housing for Persons with Disabilities (Section 811)			
PRAC/PAC Amendments/Renewal	144	143	138
Other Expenses	2	2	2
Total, Disabled Housing	146	145	140
FHA Funds			
Mutual Mort. Ins. and Coop. Mgt. Housing Ins. Funds			
Management Housing Insurance (CMHI)			
Administrative Expenses	130	129	150
Direct Loan Limitation	[20]	[5]	[5]
Loan Guarantee Limitation Level	[400,000]	[400,000]	[400,000]
Total, MMI/CMHI	130	129	150
General Insurance and Special Risk Insurance Funds			
Direct Loan Limitation	[20]	[5]	[5]
Loan Guarantee Limitation Level	[30,000]	[30,000]	[30,000]
Total, FHA Funds	**130**	**129**	**150**

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2017-2019
(Dollars in Millions)

	2017 ACTUAL	2018 ANNUALIZED CR	2019 REQUEST
Manufactured Housing Standards Program			
Payments to States	$2	$2	$4
Contracts	8	8	8
Total, Manufactured Housing Standards Program	11	10	12
Other Assisted Housing			
Rent Supplement	5	10	3
Rental Housing Assistance (Sec 236)	15	10	2
Rental Assistance Demonstration Transfer	[(36)]	...	[(4)]
Total, Other Assisted Housing	20	20	5
Subtotal, Housing Programs	**11,680**	**11,601**	**12,100**
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Guarantees of Mortgage-Backed Securities			
GNMA - Salaries and Expenses	26	26	24
MBS Guarantee Limitation	[500,000]	[500,000]	[550,000]
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology	89	88	85
FAIR HOUSING & EQUAL OPPORTUNITY			
Fair Housing Initiative Program	39	39	36
Fair Housing Assistance Program	24	24	24
Fair Housing Training Academy	2	1	2
Total, Fair Housing Activities	**66**	**65**	**62**
OFFICE OF LEAD HAZARD CONTROL AND HEALTHY HOMES			
Lead-Based Paint Hazard Reduction			
Lead Hazard Control Grants	58	57	60
Technical Studies	2	2	5
Healthy Homes	30	30	25
Lead Hazard Control Demonstration Program	55	55	55
Total, OLHCHH	145	144	145

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2017-2019
(Dollars in Millions)

	2017 ACTUAL	2018 ANNUALIZED CR	2019 REQUEST
MANAGEMENT AND ADMINISTRATION			
Salaries and Expenses, HUD	$1,354	$1,346	$1,302
Salaries and Expenses, OIG	128	127	128
Information Technology Fund	257	255	260
Working Capital Fund	5	...	...
Subtotal, Management and Administration	**1,744**	**1,728**	**1,690**
Subtotal, HUD Discretionary Budget Authority (Gross)	**57,668**	**47,730**	**41,280**
Offsetting Receipts			
MMI Capital Reserve	(11,150)	(7,641)	(7,360)
MMI Single Family IT Fee	...	...	(20)
GNMA Receipts	(138)	(119)	(128)
GNMA Capital Reserve	(2,016)	(1,696)	(1,914)
GI/SRI Negative Subsidy	(676)	(872)	(629)
Manufactured Housing Fees Trust	(14)	(15)	(16)
Total receipts	(13,994)	(10,343)	(10,067)
Total, HUD Discretionary Budget Authority (Net)	**43,674**	**37,387**	**31,213**

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2017-2019
(Dollars in Millions)

	2017 ACTUAL	2018 ANNUALIZED CR	2019 REQUEST
MANDATORY PROGRAMS			
Indian Housing Loan Guarantee……	$7	$14	...
Native American Housing Block Grants……	3	2	...
Native Hawaiian Housing Loan Guarantee	...	1	...
Community Development Loan Guarantee Program Account……	1	...	...
Housing Trust Fund……	219	15	...
FHA General and Special Risk Program Account……	4,318	1,923	...
FHA General and Special Risk Liquidating Account……	25	25	25
FHA Mutual Mortgage Insurance Capital Reserve Account……	11,150	7,641	7,360
Housing for the Elderly or Handicapped Fund Liquidating Account……	...	(259)	(224)
Guarantees of Mortgage-backed Securities Capital Reserve……	2,016	1,696	1,914
Subtotal, Gross Mandatory Budget Authority......	**17,739**	**11,058**	**9,075**
Mandatory Receipts......	(679)	(523)	(17)
Total, Net Mandatory Budget Authority......	17,060	10,535	9,058
Total, Net HUD Budget Authority......	**60,734**	**47,922**	**40,271**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2017-2019
(Dollars in Millions)

	2017 ACTUAL	2018 ANNUALIZED CR	2019 REQUEST
DISCRETIONARY PROGRAMS			
PUBLIC AND INDIAN HOUSING			
Rental Assistance Demonstration	...	...	$100
Tenant-Based Rental Assistance	$20,584	$20,748	20,948
Housing Certificate Fund	$213	162	120
Public Housing Capital Fund	1,755	1,892	1,822
Public Housing Operating Fund	4,316	4,246	3,537
Choice Neighborhoods	36	150	12
Revitalization of the Severely Distressed	56	45	4
Family Self-Sufficiency	73	61	85
Native American Housing Block Grants	620	627	533
Native Hawaiian Housing Block Grants	6	6	6
Indian Housing Loan Guarantee Fund	6	3	4
Subtotal, Public and Indian Housing	**27,665**	**27,940**	**27,171**
COMMUNITY PLANNING AND DEVELOPMENT			
Housing Opportunities for Persons with AIDS (HOPWA)	306	311	353
Community Development Fund	5,616	7,094	8,004
HOME Investment Partnerships Program	1,104	938	937
Self-Help Homeownership Opportunity/Habitat	44	47	53
Homeless Assistance Grants	1,992	2,293	2,349
Community Development Loan Guarantees	1	3	3
Permanent Supportive Housing	...	5	...
Brownfields Redevelopment	...	3	3
Rural Housing and Economic Development	2	2	...
Subtotal, Community Planning and Development	**9,065**	**10,696**	**11,702**
HOUSING PROGRAMS			
Project-Based Rental Assistance	11,194	11,560	10,888
Housing for the Elderly (Section 202)	703	605	659
Housing for Persons with Disabilities (Section 811)	170	185	188
Housing Counseling Assistance	43	52	52
Other Assisted Housing	153	141	118
FHA Funds:			
Mutual Mortgage Ins. and Coop. Management Housing Ins. Funds:			
Program Account	106	110	92
General Insurance and Special Risk Insurance Funds:			
Program Account	...	...	...
Subtotal, FHA Funds	106	110	92

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2017-2019
(Dollars in Millions)

	2017 ACTUAL	2018 ANNUALIZED CR	2019 REQUEST
Manufactured Housing Standards Program	$9	$10	$11
Flexible Subsidy	(48)	(48)	(49)
Subtotal, Housing Programs	**12,330**	**12,615**	**11,959**
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Mortgage-Backed Securities Program Account	27	28	28
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology	61	68	69
FAIR HOUSING & EQUAL OPPORTUNITY			
Fair Housing Activities	64	65	66
LEAD HAZARD CONTROL			
Lead Hazard Reduction	102	104	118
MANAGEMENT AND ADMINISTRATION			
Salaries and Expenses, HUD	1,319	1,371	1,341
Salaries and Expenses, OIG	131	119	128
Information Technology Fund	238	263	265
Working Capital Fund	...	1	...
Subtotal, Management and Administration	**1,688**	**1,754**	**1,734**
HUD Transformation Initiatives	35	19	12
Subtotal, HUD Discretionary Outlays (Gross)	**51,037**	**53,289**	**52,859**
Deductions for Offsetting Receipts (Discretionary)	(690)	(887)	(645)
Reclassification of MMI Receipts	(11,150)	(7,641)	(7,360)
GNMA Program Account	(138)	(119)	(128)
GNMA Receipts	(2,016)	(1,696)	(1,914)
Total, HUD Discretionary Outlays (Net)	**37,043**	**42,946**	**42,812**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2017-2019
(Dollars in Millions)

	2017 ACTUAL	2018 ANNUALIZED CR	2019 REQUEST
MANDATORY PROGRAMS			
Indian Housing Loan Guarantee Fund	$7	$14	...
Native American Housing Block Grants	3	2	...
Native Hawaiian Housing Loan Guarantee	...	1	...
Community Development Loan Guarantee	1	4	...
Neighborhood Stabilization Program	30	58	58
Revolving Fund	...	1	1
Housing Trust Fund	2	65	112
FHA MMI Program Account	18,691	12,638	...
FHA MMI Liquidating	6	8	9
FHA MMI Capital Reserve Account	(1,948)	(1,134)	(166)
FHA GI/SRI Program	4,318	1,923	...
FHA GI/SRI Funds Liquidating	(138)	(22)	(18)
Rental Housing Assistance Fund	(1)	(2)	(2)
Housing for the Elderly or Handicapped Fund Liquidating Account	(302)	(257)	(222)
Guarantees of Mortgage-Backed Securities	200	169	168
Guarantees of Mortgage-Backed Securities Liquidating Account	(1)	1	1
Guarantees of Mortgage-Backed Securities Capital Reserve Account	(1,751)	(1,005)	(516)
Subtotal, HUD Mandatory Outlays (Gross)	**19,117**	**12,464**	**(575)**
Deductions for Offsetting Receipts (Mandatory)	(679)	(523)	(17)
Total, HUD Mandatory Outlays (Net)	**18,438**	**11,941**	**(592)**
Total, HUD Outlays	**55,481**	**54,887**	**42,220**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FULL-TIME EQUIVALENT (FTE) EMPLOYMENT
(Excludes Overtime and Terminal Leave)

	2017 Actual	2018 Annualized CR	2019 Request	Increase (+) Decrease (-) 2019 vs 2018
Salaries and Expenses, HUD.........................	7,182	6,943	6,736	-207
Other Funds:				
GNMA..	134	134	138	4
Office of Inspector General.........................	595	573	573	0
Subtotal, Other Funds..........................	729	707	711	4
Total, HUD Full-Time Equivalent Staff...........	7,911	7,650	7,447	-203

ENHANCE RENTAL ASSISTANCE

HUD has spent the last year examining its main rental assistance programs (Housing Choice Vouchers, Project-Based Rental Assistance, Public Housing, and Housing for the Elderly and Persons with Disabilities) with the goals of improving resident outcomes, decreasing burden to the public, and maximizing public investment. To further these efforts, HUD designated rental assistance reforms as an FY 2018-2022 strategic goal, "Enhance Rental Assistance", which is comprised of two initiatives that HUD will pursue through a combination of legislative proposals and administrative actions: Rent Reform and the Future of Public Housing.

Rent Reform

HUD serves about 4.7 million low-income households per year through its rental assistance programs. While each program delivers rental assistance differently, there are many commonalities, including that each HUD-assisted household contributes 30 percent of its adjusted income towards rent, while the federal government subsidizes the difference, up to a maximum. This current rent structure creates disincentives to employment and stable family formation, imposes large administrative burdens, generates significant costs to the Federal government, and represents a one-size-fits-all approach that does not take into consideration local community needs. HUD is committed to reforming its rental assistance programs with the following goals:

1. *Encouraging work and stable family formation*: The current system requires income recertifications that create disincentives to employment and family formation. Limiting the frequency of income recertifications would reduce residents' disincentives to increase their earnings and form families.
2. *Simplifying program administration*: Moving to a simpler income calculation and limiting the frequency of income recertifications would reduce the time burden on residents, public housing authorities, and property owners.
3. *Increasing local control and choice*: HUD works with local partners, both Public Housing Authorities (PHAs) and property owners, who have ideas on how best to encourage residents to achieve self-sufficiency. Rather than force all housing assistance providers into a one-size-fits-all system, HUD would offer PHAs and owners the ability to structure rent calculations and/or adopt work requirements that work best with their local priorities and the families they serve. HUD will study the results of increased choice and share impacts and best practices.
4. *Fiscal sustainability*: These reforms encourage work-able residents to attain stable employment and achieve self-sufficiency and reduce overall costs to the taxpayer.
5. *Protecting current elderly and disabled households from adverse impacts.* In achieving the above goals, HUD's reforms prioritize preventing rent increases on currently assisted elderly and disabled households.

In furtherance of these goals, while also continuing to assist current residents, HUD plans to submit a Rent Reform legislative proposal to Congress in March. The legislative proposal includes the following key elements:

- Establishing or increasing mandatory minimum rents;
- Simplifying rent calculations and increasing tenant rent contributions;
- Preventing rent increases for the most vulnerable current tenants, the elderly and disabled, when the new rent policies are implemented;
- Limiting income recertification for all households to once every three years, which incentivizes work by deferring increases in tenant rent payments as a result of increased wages, as well as removes disincentives for stable family formation;
- Providing a hardship exemption for tenants who, in certain circumstances, are unable to pay their rents; and
- Giving PHAs and property owners the option to choose alternative rent structures, approved by the Secretary, that work best for their communities, including the option to implement minimum work requirements for work-able residents. HUD would publish criteria, such as requiring that these alternative rent structures incur the same overall program costs.

The Future of Public Housing

Public Housing has an estimated $26 billion capital needs backlog, and affordable units are lost each year due to severe disrepair. The cumbersome regulatory structure of the Public Housing program limits PHAs' ability to adequately address the significant needs in their portfolios. Furthermore, the existing tools available to PHAs to deal with their rapidly deteriorating inventory, including HUD's Rental Assistance Demonstration (RAD), Section 18 Demolition and Disposition, and Voluntary Conversion, are currently limited in their scope and ability to preserve affordable housing for the future.

To address the problem, the Budget expands and enhances RAD and other tools to empower PHAs to make local decisions about how to best use their properties to meet the needs of their communities. This strategy is focused on making the tools more accessible to PHAs of all sizes, while also simplifying administrative requirements where possible, and encouraging PHAs to transition public housing to a more sustainable Section 8 platform. The Budget supports the following tools to strategically reduce the footprint of Public Housing, including:

- Funding to facilitate the demolition of physically obsolete public housing projects. These competitive grants would allow PHAs that lack sufficient funds to demolish obsolete projects and relocate affected families.
- Allowing PHAs, under certain conditions, to retain public housing property free from public housing use restrictions and exempt from compensation requirements in accordance with the requirements of 2 CFR part 200. This option would allow PHAs to retain the real property and end HUD's commitment to provide annual public housing subsidies.

Enhance Rental Assistance

- Permitting small PHAs to utilize a streamlined Voluntary Conversion process to retain public housing property free from use restrictions and provide existing Housing Choice Vouchers (HCVs) and/or tenant protection vouchers for existing residents. This option would reduce the number of PHAs and facilitate PHA consolidation.
- Streamlining the existing application and approval processes when PHAs propose to demolish, sell, or lease public housing property under Section 18 Demolition and Disposition.
- Expanding RAD, which would allow more public housing properties to shift to the Section 8 Project-Based Voucher (PBV) and Project-Based Rental Assistance (PBRA) platforms. These project-based Section 8 programs benefit from greater private sector involvement and can leverage private financing for modernization, generally resulting in higher quality housing for the assisted low-income families. The Budget provides $100 million in funding for RAD to cover the incremental subsidy necessary for public housing properties that could not otherwise convert in the absence of such funds.

PUBLIC AND INDIAN HOUSING
RENTAL ASSISTANCE DEMONSTRATION PROGRAM
2019 Summary Statement and Initiatives
(Dollars in Thousands)

RENTAL ASSISTANCE DEMONSTRATION PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	...	...	...	...	...	...
2018 Annualized CR	...	...	...	...	...	...
2019 Request	$100,000	...	...	$100,000	$100,000	$100,000
Change from 2018	+100,000	...	...	+100,000	+100,000	+100,000

NOTE: While the Budget shows all of the funds being obligated and spent in fiscal year 2019, HUD is still developing the parameters of the funding allocations and the actual rate of obligation and spending may vary.

1. Program Purpose and Fiscal Year 2019 Budget Overview

Through conversion under the Rental Assistance Demonstration (RAD), Public Housing Agencies (PHAs) and other owners, partnering with private industry, preserve, rehabilitate, or redevelop affordable housing by raising capital using private and public financing tools. The 2019 President Budget request for RAD is $100 million. The request will support the conversion of public housing properties that could not otherwise convert to long-term Section 8 rental assistance contracts in the absence of such funds. The Budget also includes proposals, described in Section 2, which would expand the number of revenue neutral conversions of public housing and Section 202 PRAC properties that could occur under RAD, while ensuring that tenants' rights are protected, and the public interest is preserved.

2. Request

As of December 2017, over 88,000 public housing units have utilized RAD to convert to the Section 8 platform at revenue neutral rent levels. Through conversion, PHAs and their partners have been able to raise over $5 billion toward the improvement and recapitalization of these properties. Despite this success, many public housing properties are unable to leverage the public and private capital needed for improvements based on existing or projected Public Housing Operating Fund and Capital Fund funding levels. With the requested $100 million, HUD would be able to support the conversion of approximately 30,000 units that are unable to secure the private capital to support needed improvements at revenue neutral subsidy levels on the Section 8 platform. This would result in capital improvements to these properties totaling an estimated $1.8 billion.
In addition, the Budget requests:

- Eliminating the cap on public housing projects that could convert assistance to long-term Section 8 rental assistance contracts;
- Eliminating the deadline of September 30, 2020 for submission of RAD Applications under the first component;
- Expanding the second component of RAD to include the conversion of Section 202 PRAC properties;
- Standardizing ownership and control requirements for converted public housing properties by extending the baseline standard of permitting non-profit ownership at conversion to situations where low-income housing tax credits are used or where foreclosure, bankruptcy, or default occurs; and
- Authorizing a tenant's right to continued occupancy under the second component.

3. Justification

RAD promotes public-private partnerships to improve the nation's housing infrastructure and create jobs. The main goal of RAD is preservation of affordable housing, specifically by converting public housing and other HUD-assisted properties to long-term, project-based Section 8 rental assistance (PBRA) and project-based vouchers (PBVs). These conversions allow PHAs and owners to leverage private debt and equity to address their properties' immediate and long-term capital needs. RAD targets HUD-assisted properties that are at risk of being lost from the Nation's affordable housing inventory. In 2010, the 1.1 million units in the Public Housing program had a documented capital needs backlog of nearly $26 billion and the public housing inventory was losing an average of 10,000 units annually through demolitions or dispositions. The capital needs backlog has been increasing steadily since that time. Public housing properties are largely inhibited from accessing non-federal sources to help to address this need. Meanwhile, the units currently assisted under the Moderate Rehabilitation (MR), McKinney Vento Moderate Rehabilitation Single Room Occupancy (MR SRO), Rent Supplement (Rent Supp), Rental Assistance Payment (RAP), and Section 202 Project Rental Assistance Contracts (202 PRACs) programs are ineligible to renew their contracts on terms that favor modernization and long-term preservation.

HUD has received applications and allocated awards up to the existing 225,000-unit cap of public housing units that can convert. A subsequent waiting list of over 86,000 has formed. As such, in addition to the request for $100 million, this Budget request the elimination of the cap on public housing units that can convert so that any public housing property that can be preserved at revenue-neutral levels can do so. Eliminating the cap allows PHAs and their partners to develop locally appropriate strategies responsive to the needs and conditions in their communities. Without a cap, they can take the time needed to engage with their communities, assess needs, and prepare financing structures and implement the conversion without artificial deadlines or running the risk that

RAD is not available when they need it. Making the availability of RAD more certain will increase the number of high impact investments that can transform homes and communities and create jobs.

Additionally, over 200 RAP and Rent Supp properties comprising over 25,000 units and 22 MR and MR SRO properties comprising over 2,400 units have converted through RAD to long-term Section 8 contracts. This budget requests authority to convert Section 202 Project Rental Assistance Contracts (PRACs) to long-term Section 8 contracts without any additional funding. PRACs support over 121,000 units which serve elderly residents, often in conjunction with services. These properties are currently limited to year-to-year renewals that inhibit recapitalization of the properties. This new authority would permit HUD to enter into long-term contracts at revenue-neutral levels, much like public housing conversions, so that owners could seek debt and equity financing to address capital repairs.

Under RAD, PHAs and owners of rental properties assisted under the Public Housing, MR, MR SRO, Rent Supp and RAP programs, (and, as proposed, the owners of 202 PRAC properties) are offered the option to convert the current form of assistance on these properties to long-term, project-based Section 8 rental assistance contracts. By offering a long-term contract tied to a historically more reliable funding stream and a regulatory structure that facilitates partnerships with other forms of private and public financing, RAD achieves the following goals:

1. Promotes local public-private development activity with access to proven tools to leverage private capital;

2. Recapitalizes the HUD-assisted housing portfolio to ensure its long-term stability and affordability while ensuring the public's interest is maintained;

3. Increases housing choice for residents and safeguards strong resident rights; and

4. Places properties on a regulatory structure that allows flexible, local decision-making.

General Provisions

The President's budget proposes the following General Provision for the Rental Assistance Demonstration:

- HUD proposes to eliminate the unit cap, eliminate the application deadline, expand RAD to Section 202 PRAC properties, standardize ownership and control requirements, and authorizing tenant's rights under the second component (Sec. 219).

PUBLIC AND INDIAN HOUSING
RENTAL ASSISTANCE DEMONSTRATION PROGRAM
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Budget Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Rental Assistance Demonstration	...	...	...	...	...	...	...	$100,000
Total	...	...	...	...	...	...	...	100,000

PUBLIC AND INDIAN HOUSING
RENTAL ASSISTANCE DEMONSTRATION
Appropriations Language

The fiscal year 2019 President's Budget includes the appropriations language listed below.

For continuing activities under the heading "Rental Assistance Demonstration" in the Department of Housing and Urban Development Appropriations Act, 2012 (Public Law 112–55), $100,000,000, to remain available through September 30, 2023, for targeted supplemental subsidy to properties seeking to convert from assistance under section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g) where the section 9 assistance is insufficient to support conversion of the property under the demonstration, in accordance with procedures established by the Secretary.

PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
2019 Summary Statement and Initiatives
(Dollars in Thousands)

TENANT-BASED RENTAL ASSISTANCE	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$20,292,000	$390,017[a/]	...	$20,682,017	$20,312,544	$20,584,148
2018 Annualized CR	20,292,000	472,629[b/]	-$137,803[c/]	20,626,826	20,622,274	20,748,000
2019 Request	20,549,749	87,552[e]	-4,552[d]	20,632,749	20,632,749	20,948,000
Change from 2018	+257,749	-385,077	+133,251	+5,923	+10,475	+200,000

a/ Includes $9.5 million in recaptured funds and $83.2 million transferred from the Public Housing Operating Fund and Capital Fund for the purpose of Rental Assistance Demonstration (RAD) conversions.
b/ Includes an estimated $104 million transferred from the Public Housing Operating Fund and Capital Fund for the purpose of Rental Assistance Demonstration (RAD) conversions.
c/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.
d/ Includes a rescission of $4.5 million in recovered funds originally awarded for the Disaster Housing Assistance Program under P.L. 110-329. These funds are designated as "emergency" funds for the purpose of the budget caps under BBEDCA, Title II of P.L. 99-177, and does not offset the request.
e/ Includes an estimated $83 million transferred from the Public Housing Operating Fund and Capital Fund for the purpose of Rental Assistance Demonstration (RAD) conversions.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The fiscal year 2019 President's Budget of $20.549 billion for the Section 8 Housing Choice Voucher (HCV) program, is $396 million more than the fiscal year 2018 Annualized CR level. As described further below, the funding request reflects a set of policies that reduce costs while continuing to assist current residents, and the Administration will submit a legislative package of comprehensive rental assistance reforms consistent with this funding request following submission of the Budget. With implementation of these cost-saving policies, the requested funding level will provide currently-served households (approximately 2.2 million low-income families in 2018) with decent, safe, and sanitary housing while supporting the approximately 700,000 landlords and property owners who participate in the HCV program by providing a fair market rent so that they can meet mortgage payments, local tax obligations, and utility expenses, and maintain properties in good physical condition.

The goals of the HCV program are:

- Providing greater access to housing and better housing opportunities for very low- and extremely low-income families;
- Ensuring that families currently assisted under the HCV program continue to receive assistance, thereby preventing them from having worst case housing needs or facing homelessness;
- Reducing the number of chronically homeless individuals, families, and veterans; and
- Maximizing the federal investment and the number of families assisted through HUD's rental housing assistance programs through comprehensive monitoring of voucher utilization.

2. Request

The HCV program is the federal government's major program for assisting very low-income families, the elderly, and persons with disabilities to afford decent, safe, and sanitary housing in the private market. The program serves the most economically vulnerable families in the country, including families with disabilities, elderly families, formerly homeless veterans, and families with children.

HUD's *Worst Case Housing Needs: 2017 Report to Congress*, available at https://www.huduser.gov/portal/sites/default/files/pdf/Worst-Case-Housing-Needs.pdf, reveals that among very low-income renter households that lacked assistance, 8.3 million had worst case housing needs resulting from severe rent burden (paying more than one-half of their monthly income for rent) or living in severely inadequate housing units. Many families assisted by the HCV program formerly experienced worst-case housing needs and, without the benefit of this program, would be at immediate risk of homelessness. The HCV program is authorized under Section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)) and is administered locally by approximately 2,200 public housing agencies (PHAs). Requested funding levels and brief descriptions for each of the major funding components of the HCV program are provided below:

- Contract Renewals: $18.749 billion for contract renewals, which provide funding to renew expiring HCV program Housing Assistance Payments (HAP) funding increments on a calendar-year basis. Contract renewals include funding for special purpose vouchers (SPVs), which PHAs must reissue only to qualifying participants upon turnover, either from their waiting lists or referrals. Some of these programs are HUD- VASH, Non-Elderly Disabled, Tribal HUD-VASH, and the Family Unification Program. Contract renewals also include renewal funding tenant protection vouchers. In order to prevent terminations of assistance, the requested funding level assumes both program-specific savings policies and savings from legislative reforms.
- Administrative Fees: $1.550 billion for administrative fees, which are a vital component of the HCV program, providing PHAs with the resources necessary to administer the requested rental assistance for over 2.2 million families.
- Tenant Protection Vouchers: $140 million for Tenant Protection Vouchers (TPV), which are provided to families impacted by housing

conversion actions beyond their control, such as public housing demolition or repositioning, and when private owners of multifamily developments choose to leave the project-based program or convert to long term Section 8 contracts. The increase in TPVs reflects an anticipated increase in demolitions, dispositions, and voluntary conversions as well as the establishment of a new category of protected residents whose public housing property is released from the Declaration of Trust. (See the general provision providing more flexibility to HUD to grant releases of the Declaration of Trust (DOT), coupled with tenant protections.)

- Section 811 Mainstream Renewals: $107 million for contracts and administrative fees originally funded under the Section 811 Tenant-Based program. The Housing for Persons with Disabilities (Section 811) program provides tenant-based assistance for persons with disabilities to access affordable, private housing of their choice. The requested funding also includes administrative fees for the renewed vouchers.
- Tribal HUD-VASH Demonstration: $4 million for renewals or issuance of vouchers (and associated administrative costs) appropriated under the Tribal HUD-VASH demonstration program in prior Acts, or if funds remain after renewal assistance is awarded, for new grants to be awarded based on the need and administrative capacity of eligible applicants. This demonstration provides rental assistance for Native American veterans who are homeless or at-risk of homelessness living on or near a reservation or other Indian areas. The Department of Veterans Affairs (VA) provides case management and clinical services to these veterans, increasing the likelihood that they will remain housed. HUD has worked with the VA and 26 tribes to implement the program, which, by the end of fiscal year 2017, had housed 188 Native veterans, with 76 more receiving case management and in the pipeline to be housed.

3. Justification

The HCV program partners with local PHAs and landlords to provide housing to our nation's neediest citizens. Of the families currently receiving HCV assistance, over half are either elderly or have a disabled head of household, and 75 percent are extremely low–income with incomes at or below 30 percent of the area median income. Without rental assistance, these families would be at great risk of homelessness or would be forced to choose between decent housing and other life necessities, such as food, clothing, and medicine.
A unique aspect of the HCV program is that it is designed to work in partnership, rather than in competition, with the private rental market. HCV assistance is primarily tenant-based assistance, which means the assistance is not permanently tied to a particular unit or project, but rather to an individual family. The family is responsible for finding a suitable rental unit with an owner who is willing to participate in the program. The PHA pays a monthly housing assistance payment directly to the owner on behalf of the family. That payment helps cover the affordability gap between what very low-income families can afford to pay for rent, and the actual rent charged. The HCV program relies on this private sector partnership to effectively and efficiently provide affordable housing opportunities in the local community instead of depending on direct government intervention to do so.

HUD works with numerous partners and stakeholders in providing HCV assistance to families. In addition to PHAs and private owners, these partners and stakeholders include:

- Other federal agencies, such as the Department of Veterans Affairs;
- State and local entities, such as Public Child Welfare Agencies;
- Housing Industry Associations;
- Resident Groups; and
- Tribally Designated Entities (TDHEs) and Tribal governments.

The HCV program has proven to be effective at meeting the housing needs of our most vulnerable citizens compared to other approaches. For example, in October 2016, HUD published the results of the Family Options Study. Launched in 2008, the study's goal was to determine which housing and services interventions work best for families with children experiencing homelessness. Reports published in July 2015 and October 2016 presented evidence regarding the effects of giving families in emergency shelters priority access to housing choice vouchers, rapid re-housing, or project-based transitional housing. The study team followed the families for 3 years and measured outcomes in five domains of family well-being: (1) housing stability, (2) family preservation, (3) adult well-being, (4) child well-being, and (5) self-sufficiency. The study determined that the HCV program was the most effective intervention of the approaches tested. HCV intervention reduced most forms of residential instability by more than one half, reduced food insecurity, and improved multiple measures of adult and child well-being.

Rent Reform Legislative Proposal

HUD continues its concerted efforts to ensure that the program operates efficiently and effectively, and to provide enough local flexibilities that allow PHAs to tailor the program to work better in their communities. The Department is re-examining the program, both to simplify administration and to make certain that the HCV program's shared responsibilities extend beyond the Federal taxpayer to PHAs, participating owners, and the assisted families. The Budget proposes a set of policies for its core rental assistance programs that will reduce costs while continuing to assist current residents, encouraging work, and promoting self-sufficiency. These proposals will provide administrative flexibilities and increase transparency and flexibility for the HCV program.

The current rent structure in HUD's rental assistance programs creates disincentives to employment and stable family formation, imposes large administrative burdens, generates significant costs to the Federal government, and represents a one-size-fits-all approach that does not take into consideration local community needs. HUD is committed to the reformation of its rental assistance programs with the following goals:

1. Encouraging work and stable family formation;
2. Simplifying program administration;
3. Increasing local control and choice;
4. Reducing costs to the federal government; and
5. Protecting current elderly and disabled households from adverse impacts.

Tenant-Based Rental Assistance

In furtherance of these goals, while also continuing to assist current residents, HUD will submit a rental reform legislative proposal to Congress in March. This Budget reflects key elements of that proposal, including:

- Establishing or increasing mandatory minimum rents;
- Simplifying rent calculations and increasing tenant rent contributions;
- Preventing rent increases for the most vulnerable current tenants, the elderly and disabled, when the new rent policies are implemented;
- Limiting income recertification for all households to once every three years, which supports stable family formation and incentivizes work by deferring increases in tenant rent payments as a result of increased wages;
- Providing a hardship exemption for tenants who, in certain circumstances, are unable to pay their rents; and
- Giving PHAs and property owners the option to choose alternative rent structures, approved by the Secretary, that work best for their communities, as well as the option to implement minimum work requirements for work-able residents. These alternative rent structures must incur the same overall program costs.

Proposed funding levels, while significantly reduced from the 2017 enacted level, should support currently assisted households while strategically reshaping the Federal footprint of HUD's rental assistance programs over time. As the legislative proposal is finalized, the requested allocation of funding across rental assistance programs in 2019 may change within the existing Departmental topline. HUD will provide Congress with updates to these programs' funding levels after the proposal is released.

Please see the "Enhance Rental Assistance" justification for more information.

Regulatory Reform and Programmatic Improvements

For PHAs to continue to serve the families currently housed, the Budget includes authorities for HUD to provide additional flexibilities to PHAs. These flexibilities will enable PHAs to manage their programs in a fiscally responsible manner while avoiding displacement of currently supported households. Many of the proposals for the HCV program provide additional flexibility for PHAs to be able to manage their limited resources more efficiently and effectively. For fiscal year 2019, HUD proposes to seek authority for the following programmatic changes:

- The ability of the Secretary of Housing and Urban Development to waive, or specify alternative requirements for, statutory or regulatory provisions related to public housing agency (PHA) administrative, planning, and reporting requirements, energy audits, income recertification, and program assessments. In the HCV program, this increased flexibility will allow PHAs to access a full menu of savings options to fit their needs.

- PHAs will not have to provide higher payments for enhanced vouchers. These changes will apply the same cost limitation on the maximum subsidy that may be paid under the HCV program to enhanced vouchers.

The requested broad waiver authority described above will help PHAs better manage their programs within their available resources and provide PHAs with a variety of options for temporary regulatory and statutory relief. In addition, HUD will work with PHAs to manage the proposed changes using a full menu of options, including adjustments to existing PHA discretionary policies, reserve offsets, new flexibilities, and voucher attrition (i.e., not reissuing vouchers when families exist the program), as needed to avoid resident displacement. This approach will empower local communities to manage the cost savings proposals in a fiscally responsible manner and help to avoid the displacement of currently assisted households, by giving PHAs the flexibility to employ those relief measures that make the most sense in relation to their own needs, priorities, and rental markets. This budget request for the HCV program reflects the President's commitment to fiscal responsibility while still supporting critical functions that provide rental assistance to very low-income and vulnerable households.

General Provisions

The President's Budget proposes the following new General Provisions for Tenant-Based Rental Assistance, which are described in greater detail in the General Provisions Congressional Justification:

- Allowing HUD to provide PHAs with greater flexibility to use the statutory exception for PBV new construction provided to certain formerly federally assisted projects from the PBV program cap and income mixing requirements (Sec. 224).
- Revising the supportive services exception to the PBV income mixing requirement to provide PHAs with greater administrative flexibility to project-base vouchers (Sec. 225).
- Implementing requirements to reduce costs and provide for the more effective administration of the HCV program (Sec. 228).
- Eliminating higher payments for new enhanced vouchers (Sec. 229).
- The provision allows the PHA to certify to HUD that the PHA will fulfill all the program responsibilities required of a private owner for a PHA-owned unit. This will allow a family to rent a PHA-owned unit without the PHA first having to create a PHA-affiliate with which to execute the HAP contract. In either case, an independent entity is still required to conduct the unit inspections and other PHA administrative functions for the PHA-owned unit. This provision is designed to increase housing opportunities for voucher families by helping facilitate the use of PHA-owned units in the Housing Choice Voucher Program (Sec. 241).

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

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Contract Renewals ...	$18,355,000	$74,713	$18,429,713	$18,315,132	$18,228,495	$114,581	$18,343,076	$18,748,749
Administrative Fees ...	1,650,000	76,969	1,726,969	1,691,294	1,640,652	35,675	1,676,327	1,550,000
Section 8 Rental Assistance	110,000	115,261	225,261	93,414	109,253	131,847	241,100	140,000
Veterans Affairs Supportive Housing (VASH) Program	40,000	23,412	63,412	20,176	39,728	43,236	82,964	...
Tribal HUD-Vash	7,000	...	7,000	...	6,952	7,000	13,952	4,000
Section 811 Mainstream Renewals	120,000	10,083	130,083	111,155	119,185	18,928	138,113	107,000
Rental Assistance Demonstration	...	85,027	85,027	81,373	...	106,810	106,810	...
Family Unification Program (FUP)	10,000	...	10,000	...	9,932	10,000	19,932	...
Disaster Displacement .	...	4,552	4,552	...	...	4,552	4,552	...
Total	20,292,000	390,017	20,682,017	20,312,544	20,154,197	472,629	20,626,826	20,549,749

PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Appropriations Language

The fiscal year 2019 President's Budget includes the appropriation language listed below.

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, $20,549,749,000, to remain available until September 30, 2021, shall be available on October 1, 2018 (in addition to the $4,000,000,000 previously appropriated under this heading that shall be available on October 1, 2018), and $4,000,000,000, to remain available until September 30, 2022, shall be available on October 1, 2019: Provided, That the amounts made available under this heading are provided as follows:
(1) $18,748,749,000 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 special purpose incremental vouchers: Provided, That notwithstanding any other provision of law, from amounts provided under this paragraph and any carryover, the Secretary for the calendar year 2019 funding cycle shall provide renewal funding for each public housing agency based on validated voucher management system (VMS) leasing and cost data for the prior calendar year and by applying an inflation factor as established by the Secretary, by notice published in the Federal Register, and by making any necessary adjustments for the costs associated with the first time renewal of vouchers under this paragraph including tenant protection and Choice Neighborhoods vouchers: Provided further, That the Secretary shall, to the extent necessary to stay within the amount specified under this paragraph (except as otherwise modified under this paragraph), prorate each public housing agency's allocation otherwise established pursuant to this paragraph: Provided further, That except as provided in the following provisos, the entire amount specified under this paragraph (except as otherwise modified under this paragraph) 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 by the latter of 60 days after enactment of this Act or March 1, 2019: Provided further, That the Secretary may extend the notification period with notification to the House and Senate Committees on Appropriations: Provided further, That public housing agencies participating in the MTW demonstration shall be funded pursuant to their MTW agreements and in accordance with the requirements of the MTW program and shall be subject to the same pro rata adjustments under the previous provisos: Provided further, That the Secretary may offset public housing agencies' calendar year 2019 allocations based on the excess amounts of public housing agencies' net restricted assets accounts, including HUD held programmatic reserves (in accordance with VMS data in calendar year 2018 that is verifiable and complete), as determined by the Secretary: Provided further, That public housing agencies participating in the MTW demonstration shall also be subject to the offset, as determined by the Secretary, from the agencies' calendar year 2019 MTW funding allocation: Provided further, That the Secretary shall use any offset referred to in the previous two provisos throughout the calendar year to prevent the termination of rental assistance for families as the result of insufficient funding, as determined by the Secretary, and to avoid or reduce the proration of renewal funding allocations: Provided further, That the Secretary may utilize unobligated balances, including recaptures

and carryover, remaining from funds appropriated under this heading from prior year appropriations (excluding special purpose vouchers), notwithstanding the purposes for which such amounts were appropriated, to avoid or reduce such prorations: Provided further, That the Secretary may make temporary adjustments to the allocations for public housing agencies in an area for which the President declared a disaster under title IV of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170 et seq.), to avoid significant funding reductions that would otherwise result from the disaster, upon request by a public housing agency and supported by documentation as required by the Secretary that demonstrates that the need for the adjustment is due to the disaster: Provided further, That up to $100,000,000 shall be available only: (1) for adjustments in 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 of vouchers resulting from unforeseen circumstances or from portability under section 8(r) of the Act; (2) for vouchers that were not in use during the previous 12-month period in order to be available to meet a commitment pursuant to section 8(o)(13) of the Act; (3) for adjustments for costs associated with HUD-Veterans Affairs Supportive Housing (HUD-VASH) vouchers; (4) for public housing agencies that despite taking reasonable cost savings measures, as determined by the Secretary, would otherwise be required to terminate rental assistance for families as a result of insufficient funding; and (5) for public housing agencies that have experienced increased costs or loss of units as a result of a Presidentially-declared disaster: Provided further, That the Secretary shall allocate amounts under the previous proviso based on need, as determined by the Secretary;

(2) $140,000,000 shall be for section 8 rental assistance for relocation and replacement of housing units that are demolished or disposed of pursuant to section 18 of the Act, 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 and Choice Neighborhood vouchers, mandatory and voluntary conversions, tenant protection assistance in connection with the release of the Declaration of Trust from a public housing property, and tenant protection assistance including replacement and relocation assistance or for project-based assistance to prevent the displacement of unassisted elderly tenants currently residing in section 202 properties financed between 1959 and 1974 that are refinanced pursuant to Public Law 106–569, as amended, or under the authority as provided under this Act: Provided, That when a public housing development is submitted for demolition or disposition under section 18 of the Act, the Secretary may provide section 8 rental assistance when the units pose an imminent health and safety risk to residents: Provided further, That the Secretary may only provide replacement vouchers for units that were occupied within the previous 24 months that cease to be available as assisted housing, subject only to the availability of funds: Provided further, That any tenant protection voucher made available from amounts under this paragraph shall not be reissued by any public housing agency, except the replacement vouchers as defined by the Secretary by notice, when the initial family that received any such voucher no longer receives such voucher, and the authority for any public housing agency to issue any such voucher shall cease to exist;

(3) $1,550,000,000 shall be for administrative and other expenses of public housing agencies in administering the section 8 tenant-based rental assistance program, of which up to $20,000,000 shall be available to the Secretary to allocate to public housing agencies that need additional funds to administer their section 8 programs, including fees associated with section 8 tenant protection rental assistance, the

administration of disaster related vouchers, HUD-VASH vouchers, and other special purpose incremental vouchers: Provided, That no less than $1,530,000,000 of the amount provided in this paragraph shall be allocated to public housing agencies for the calendar year 2019 funding cycle based on section 8(q) of the Act (and related Appropriation Act provisions) as in effect immediately before the enactment of the Quality Housing and Work Responsibility Act of 1998 (Public Law 105–276): Provided further, That if the amounts made available under this paragraph are insufficient to pay the amounts determined under the previous proviso, the Secretary may decrease the amounts allocated to agencies by a uniform percentage applicable to all agencies receiving funding under this paragraph or may, to the extent necessary to provide full payment of amounts determined under the previous proviso, utilize unobligated balances, including recaptures and carryovers, remaining from funds appropriated to the Department of Housing and Urban Development under this heading in this Act and prior year Acts (excluding special purpose vouchers), notwithstanding the purposes for which such amounts were appropriated: Provided further, That public housing agencies participating in the MTW demonstration shall be funded pursuant to their MTW agreements and in accordance with the requirements of the MTW program, and shall be subject to the same uniform percentage decrease as under the previous proviso: Provided further, That the Secretary may make temporary adjustments to the administrative fee eligibility determinations for public housing agencies in an area for which the President declared a disaster under title IV of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170 et seq.), to avoid significant funding reductions that would otherwise result from the disaster, upon request by a public housing agency and supported by documentation as required by the Secretary that demonstrates that the need for the adjustment is due to the disaster; Provided further, That 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 activities;

(4) $107,000,000 for the renewal of tenant-based assistance contracts under section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013), including necessary administrative expenses: Provided, That administrative and other expenses of public housing agencies in administering the special purpose vouchers in this paragraph shall be funded under the same terms and be subject to the same pro rata reduction as the percent decrease for administrative and other expenses to public housing agencies under paragraph (3) of this heading;

(5) $4,000,000 shall be for rental assistance and associated administrative fees for Tribal HUD-VA Supportive Housing (Tribal HUD-VASH) to serve Native American veterans that are homeless or at-risk of homelessness living on or near a reservation or other Indian areas: Provided, That such amount shall be made available for renewal grants to the recipients that received assistance under the rental assistance and supportive housing demonstration program for Native American veterans authorized under the heading "TENANT-BASED RENTAL ASSISTANCE" in prior acts: Provided further, That the Secretary shall be authorized to specify criteria for renewal grants, including data on the utilization of assistance reported by grant recipients under the demonstration program: Provided further, That any amounts remaining after such renewal assistance is awarded may be available for new grants to recipients eligible to receive block grants under the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4101 et seq.) for rental assistance and associated administrative fees for Tribal HUD-VASH to serve Native American veterans that are homeless or at-risk of homelessness living on or near a reservation or other Indian areas: Provided further, That funds shall be awarded based on need, and administrative capacity, as established by the Secretary in a Notice published in the Federal Register after coordination with the Secretary of Veterans Affairs: Provided further, That renewal grants and new grants under this paragraph shall be administered by block grant recipients in accordance with program requirements under

the Native American Housing Assistance and Self-Determination Act of 1996: Provided further, That assistance under this paragraph shall be modeled after, with necessary and appropriate adjustments for Native American grant recipients and veterans, the rental assistance and supportive housing program known as HUD-VASH, including administration in conjunction with the Department of Veterans Affairs and overall implementation of section 8(o)(19) of the United States Housing Act of 1937: Provided further, That the Secretary of Housing and Urban Development may waive or specify alternative requirements for any provision of any statute or regulation that the Secretary administers in connection with the use of funds made available under this paragraph (except requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the Secretary that any such waiver or alternative requirement is necessary for the effective delivery and administration of such assistance: Provided further, That grant recipients shall report to the Secretary on utilization of such rental assistance and other program data, as prescribed by the Secretary;
6) the Secretary shall separately track all special purpose vouchers funded under this heading; and
(7) All unobligated balances from funds appropriated under the heading "Department of Housing and Urban Development—Public and Indian Housing—Tenant Based Rental Assistance" in the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (Public Law 110–329) are hereby permanently cancelled.

Note.—A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
2019 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING CERTIFICATE FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	...	$253,750	...	$253,750[a]	$64,663	$212,996
2018 Annualized CR	...	205,087	...	205,087[b]	195,087	162,000
2019 Request	...	10,000	...	10,000[c]	...	120,000
Change from 2018	...	-195,087	...	-195,087	-195,087	-42,000

a/ Resources include carryover of $219.9 million, and recaptures of $33.8 million realized in fiscal year 2017.

b/ Resources shown assume $189 million in carryover, after adding $46 million in anticipated recoveries from prior obligations estimated to be collected during fiscal year 2018, subtracting $30 million from sources 1974 and prior that are withdrawn, and reflecting $30 million from source years 1975-1987 that will be cancelled and an equal amount appropriated.

c/ Resources shown assume $10 million in carryover, after adding $10 million in anticipated recoveries from prior obligations estimated to be collected during fiscal year 2019, subtracting $10 million from sources 1974 and prior that are withdrawn, and reflecting $10 million from source years 1975-1987 that will be cancelled and an equal amount appropriated.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Housing Certificate Fund (HCF) is best described as a composite account. Prior to 2005, it was the account that funded what are now the Tenant-Based Rental Assistance (TBRA) and Project-Based Rental Assistance (PBRA) programs. In 1998, some smaller accounts (including Annual Contributions for Assisted Housing) were consumed by HCF, making it an even more eclectic mix.

- Beginning in 2005, the account stopped receiving annual appropriations and the TBRA and PBRA accounts were established. HCF continues to “hold” the account’s prior obligations for original term (long-term, up to 40-year) project-based rental assistance contracts that were funded in advance. These funds continue to pay for contract expenses as they come due.

- As original contract terms draw to completion, annual renewals subsequently take place in the PBRA account, thus slowly depleting the inventory of projects and contracts in HCF, while increasing the number of projects in PBRA.

- Any undisbursed funds remaining on contracts at termination are recaptured and are either cancelled or re-appropriated (dependent on the source year). Eligible uses of recaptures include PBRA renewals, amendments, and administrative fees for multifamily housing programs. In 2019, HCF recaptures are expected to provide a source of supplemental funding for performance-based contract administrators (PBCAs) or contractors, whose function is detailed in the Project-Based Rental Assistance account.

2. Request

No additional budget authority is requested for this account. Continuing appropriations language for the Housing Certificate Fund provides that recaptures from source years 1975 through 1987 will be cancelled and an amount of additional budget authority equal to the amount cancelled will be appropriated. Recaptures of contract authority originating in 1974 and prior are cancelled. HUD anticipates recaptures of $10 million for fiscal year 2019. These recaptures, along with funds remaining from prior year HCF recoveries, are anticipated to support PBCA contracts, contractors and contract renewals in the PBRA program, providing an offset to new appropriations needed in the PBRA account.

3. Justification

Please see the Project-Based Rental Assistance justification.

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

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Contract Renewals	...	$86,684	$86,684	...	...	...	...	...
Contract Administrators Section 8 Amendments .	...	167,066	167,066	$64,663	...	$205,087	$205,087	...
Administrative Fees ...	...	...	...	...	...	...	...	...
Total	...	253,750	253,750	64,663	...	205,087	205,087	...

NOTES:

For fiscal year 2017, Resources include carryover of $219.9 million, and recaptures of $33.8 million realized in fiscal year 2017.

For fiscal year 2018, Resources shown assume $189 million in carryover, after adding $46 million in anticipated recoveries, subtracting $30 million that will be cancelled from sources 1974 and prior that are withdrawn, and reflecting $30 million from source years 1975-1987 that will be cancelled and an equal amount appropriated.

For fiscal year 2019, Resources assume $10 million in carryover, after adding $10 million in anticipated recoveries from prior obligations estimated to be collected during fiscal year 2019, subtracting $10 million from sources 1974 and prior that are withdrawn, and reflecting $10 million from source years 1975-1987 that will be cancelled and an equal amount appropriated.

PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Appropriations Language

The fiscal year 2019 President's Budget includes proposed changes in the appropriation language listed below.

(INCLUDING CANCELLATIONS)

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 "Project-Based Rental Assistance", for fiscal year 2019 and prior years may be used for renewal of or amendments to section 8 project-based contracts and for performance-based contract administrators and contractors, notwithstanding the purposes for which such funds were appropriated: Provided, That any obligated balances of contract authority from fiscal year 1974 and prior that have been terminated hereby permanently cancelled: Provided further, That amounts heretofore recaptured, or recaptured during the current fiscal year, from section 8 project-based contracts from source years fiscal year 1975 through fiscal year 1987 are hereby permanently cancelled, and an amount of additional new budget authority, equivalent to the amount permanently cancelled is hereby appropriated, to remain available until expended, for the purposes set forth under this heading, in addition to amounts otherwise available.

Note.—A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
2019 Summary Statement and Initiatives
(Dollars in Thousands)

PUBLIC HOUSING CAPITAL FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$1,941,500	$46,232	...	$1,987,732[a]	$1,852,963	$1,754,489
2018 Annualized CR	1,941,500	100,720	-$13,185[b]	2,029,035[c]	2,029,000	1,892,000
2019 Request	...	...	...	...	...	1,822,000
Change from 2018	-1,941,500	-100,720	+13,185	-2,029,035	-2,029,000	-70,000

a/ Total resources and obligations for fiscal year 2017 include $36.2 million transferred from the Public Housing Capital Fund for subsidy payments of units converting under Rental Assistance Demonstration and $6 million in recaptures realized in fiscal year 2017.
b/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.
c/ Total Resources and obligations for fiscal year 2018 includes an estimated transfer of $33 million for the implementation of RAD.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 President's Budget requests no funding for the Public Housing Capital Fund. Excluding Capital Modernization grants, all set-aside funding, like Jobs-Plus Initiative and emergency disaster grants, has been transferred to the Public Housing Operating Fund. The Budget proposes to direct all carryover balances and recaptures from Capital Modernization grants to the Operating Fund for distribution to Public Housing Authorities (PHAs) through the Operating Fund formula.

Public Housing has an estimated capital needs backlog of $26 billion that grows at a rate of $3.4 billion per year, and Capital Modernization grants alone are not sufficient to address the significant needs in the portfolio. Given fiscal constraints, the Budget recognizes a greater role for State and local governments to more fully share in the provision of affordable housing. The President's Budget also includes enhanced tools and strategies to empower PHAs to make local decisions about how to best use their properties to meet the needs of their communities. For example, the Budget requests funding for programs like the Rental Assistance Demonstration (RAD) program so that PHAs can shift public housing properties to more sustainable Section 8 platforms and leverage private financing for capital needs; and new funding for competitive grants to demolish physically obsolete properties. Please see the "Public Housing Operating Fund" justification for more detailed information on the enhanced flexibilities, funding and administrative items proposed to improve Public Housing asset recapitalization and encourage local choice.

Cross-cutting Rent Reform Proposals

The current rent structure in HUD's rental assistance programs creates disincentives to employment and stable family formation, imposes large administrative burdens, generates significant costs to the Federal government, and represents a one-size-fits-all approach that does not take into consideration local community needs. HUD is committed to the reformation of its rental assistance programs with the following goals:

1. Encouraging work and stable family formation;
2. Simplifying program administration;
3. Increasing local control and choice;
4. Reducing costs to the federal government; and
5. Protecting current elderly and disabled households from adverse impacts.

In furtherance of these goals, while also continuing to assist current residents, HUD will submit a rental reform legislative proposal to Congress in March. This Budget reflects key elements of that proposal, including:

- Establishing or increasing mandatory minimum rents;
- Simplifying rent calculations and increasing tenant rent contributions;
- Preventing rent increases for the most vulnerable current tenants, the elderly and disabled, when the new rent policies are implemented;
- Limiting income recertification for all households to once every three years, which supports stable family formation and incentivizes work by deferring increases in tenant rent payments as a result of increased wages;
- Providing a hardship exemption for tenants who, in certain circumstances, are unable to pay their rents; and
- Giving PHAs and property owners the option to choose alternative rent structures, approved by the Secretary, that work best for their communities, as well as the option to implement minimum work requirements for work-able residents. These alternative rent structures must incur the same overall program costs.

Proposed funding levels, while significantly reduced from the 2017 enacted level, should support currently assisted households while strategically reshaping the Federal footprint of HUD's rental assistance programs over time. As the legislative proposal is finalized, the requested allocation of funding across rental assistance programs in 2019 may change within the existing Departmental topline. HUD will provide Congress with updates to these programs' funding levels after the proposal is released.

Please see the "Enhance Rental Assistance" justification for more information.

General Provisions

The President's Budget proposes the following General Provisions for the Public Housing Capital Fund:

- Prohibition on use of funds to pay executive salaries above Level IV of the Executive Schedule (Sec. 214).
- Option to not to enforce the Physical Needs Assessment requirement (Sec. 215).
- Increased waivers, flexibilities, and regulatory relief for PHAs (Sec. 227).
- Flexibility for PHAs to use Capital and Operating Fund grants for all eligible Public Housing activities (Sec. 230).

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

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Formula Grants	$1,834,000	$21,715	$1,855,715	$1,785,468	$1,821,546	$36,708	$1,858,254	...
Emergency/Disaster Reserve	16,500	14,226	30,726	15,373	16,388	13,147	29,535	...
Resident Opportunities and Supportive Services	35,000	36,952	71,952	34,574	34,762	36,385	71,147	...
Administrative Receivership	1,000	1,961	2,961	248	993	2,716	3,709	...
Financial and Physical Assessment Support ...	10,000	5,618	15,618	11,833	9,932	3,745	13,677	...
Jobs-Plus	15,000	602	15,602	...	14,898	15,602	30,500	...
Safety and Security ...	5,000	...	5,000	5,000	4,966	284	5,250	...
Technical Assistance ..	...	1,312	1,312	466	...	152	152	...
Lead-Based Hazard	25,000	...	25,000	...	24,830	25,000	49,830	...
Rental Assistance Demonstration (transfer)	...	-36,154	-36,154	...	...	-33,019	-33,019	...
Total	1,941,500	46,232	1,987,732	1,852,962	1,928,315	100,720	2,029,035	...

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Appropriations Language

The fiscal year 2019 President's Budget includes the appropriation language listed below.

Unobligated balances, including recaptures and carryover, remaining from funds appropriated under this heading in prior fiscal years, excluding set asides, shall be transferred to the heading "Public Housing Operating Fund" for distribution to public housing agencies pursuant to the Operating Fund formula at 24 C.F.R. 990.

Note.—A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING OPERATING FUND
2019 Summary Statement and Initiatives
(Dollars in Thousands)

PUBLIC HOUSING OPERATING FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$4,400,000	$297,173	...	$4,697,173[a]	$3,943,891	$4,319,625
2018 Annualized CR	4,400,000	627,851	-$29,880[b]	4,997,971[c]	4,998,000	4,246,000
2019 Request	3,279,000	-166,000	...	3,113,000[d]	3,103,000	3,537,000
Change from 2018	-1,121,000	-793,851	+29,880	-1,884,971	-1,895,000	-709,000

a/ Total resources and obligations for fiscal year 2017 includes $109.6 million transferred from the public housing operating fund for subsidy payments for units converting under the Rental Assistance Demonstration (RAD).
b/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.
c/ Total resources and obligations for fiscal year 2018 includes an estimated $125 million transferred for the implementation of RAD.
d/ Total resources and obligations for fiscal year 2019 includes an estimated $166 million transferred for the implementation of RAD.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 President's Budget request of $3.279 billion of the Public Housing Operating Fund, the request is $1.1 billion less than the fiscal year 2018 Annualized CR level.

Of this amount, $2.614 billion is provided for formula-based operating grants, up to $600 million in shortfall funding, $35 million for set-asides transferred from the Public Housing Capital Fund, and up to $30 million for new competitive demolition grants.

The request represents a 54 percent proration against formula eligibility for operating subsidies. When coupled with the use of existing reserves and key policy changes, the funding level will allow the Department to continue to serve approximately 1 million units across more than 3,000 Public Housing Authorities (PHAs). PHAs will use this funding for the operation, management, and maintenance of public housing throughout the United States and its territories. The funding request also reflects a set of rental reform policies, described further below, that reduce costs while continuing to assist current residents; these policies will be part of a legislative package that will be submitted to Congress in March 2018.

Key program outcomes include, but are not limited to:

- Strategic reduction of the public housing portfolio

- Providing PHAs with tools to make locally-driven decisions about their properties
- Leveraging federal, state, and local resources to provide affordable housing.

2. Request

As authorized by Section 9 of the United States Housing Act of 1937, the Public Housing Operating Fund program provides subsidies necessary for PHAs to operate and maintain approximately 1 million affordable public housing units. The public housing stock serves an important role in the housing market, providing homes for some of the nation's most vulnerable renters as well as investment in local economies. Local administration of federal funds allows communities the freedom to tailor public housing to suit local needs including establishing preferences for the elderly, disabled, homeless veterans, homeless persons, as well as the working poor. On average, public housing units serve 2.1 residents with an average household income of $14,721. Extremely low–income families (families earning less than 30 percent of an area's median income) make up approximately two thirds of public housing households, and about 40 percent of all households served include children. Further, fixed-income seniors or people with disabilities comprise over half of all households.

The Public Housing Operating Fund budget request covers day-to-day operational expenses associated with public housing as well as program implementation expenses that PHAs are required to undertake under the 1937 Housing Act and existing program regulations. This includes, but is not limited to:

Public Housing Operation

- Management and operations, including staff costs
- Routine and preventative maintenance
- Anti-crime, anti-drug and security activities
- Operating costs for privately owned public housing units in mixed-finance projects
- Energy costs
- Resident supportive services, support coordinators, and participation activities
- Insurance
- Debt services incurred to finance unit rehabilitation and development

Program Implementation

- Annual re-certifications
- Timely rent collection
- Submission of annual audited and unaudited financial statements to HUD
- Asset management over the physical and financial integrity of the program
- Annual unit inspections
- Prioritization and planning for the long-term capital needs to maintain the viability of PHA properties

Public Housing Operating Fund

The total fiscal year 2019 request of $2.841 billion includes funding for the Operating Fund formula and the following supporting activities:

- $2.614 billion for formula-based Operating Fund grants;
- Up to $600 million for Shortfall funding;
- Up to $10 million for Emergency and Natural Disaster Reserve;
- Up to $1 million for Administrative and Judicial Receiverships;
- Up to $14 million for Financial and Physical Assessment Support;
- Up to $10 million for the Jobs-Plus Initiative; and
- Up to $30 million for competitive demolition Grants.

3. Justification

Public Housing provides affordable housing absent of market-driven factors, which ensures affordability for low-income families. The Operating Fund provides operating subsidy payments to more than 3,000 PHAs for the operation, management, and maintenance of publicly owned affordable rental housing throughout the United States and its territories. PHA eligibility for a subsidy from the Operating Fund is based on a formula established through negotiated rulemaking in 2007 and codified at 24 CFR 990. Operating Fund subsidy eligibility has four primary cost drivers:

- The allowable Project Expense Levels, which were baselined against comparable FHA properties;
- The reimbursement cost of utilities, or the Utilities Expense Level;
- Tenant incomes and their corresponding rent contributions; and
- The number of months a unit is eligible for funding, or the Eligible Unit Months.

While the Operating Fund formula considers a variety of factors to approximate the cost of operating each public housing project, the result is not always commensurate with the true costs for a given project. Operating subsidy, tenant rents, and/or program income in excess of operating expenses are held by PHAs in an Operating Reserve to be used for future needs in administering the program. This budget request assumes that PHAs will utilize both requested funds plus Operating Reserves to support their operating needs for the public housing program.

PHAs can use operating funds, as well as operating reserves in addition to prior year capital funds, flexibly under a general provision in this Budget that provides full flexibility between the Operating and Capital Fund accounts. The Administration encourages PHAs to work with state and local governments to address capital needs with non-federal funding. The Administration is also committed to providing PHAs with options to make locally-driven decisions about the future of their public housing properties.

Public Housing Operating Fund

Below are explanations of the various sub-account requests:

Shortfall Funding

The request includes up to $600 million in set-aside funds to support PHAs that HUD projects may become insolvent based on funding levels and PHA-held operating reserves in order to continue to house families in public housing units. Most PHAs have sufficient reserves to operate projects at a reduced federal funding level in 2019; but because operating subsidy is provided through formula, and because operating reserve levels vary significantly by PHA, funding reductions affect individual PHAs differently. Although some PHAs may be able to streamline operations, reduce costs, or make use of more flexible operating funds, others may not be able to make such adjustments and risk terminating families or ceasing operations. Consistent with the set-aside funding provided to the Housing Choice Voucher program, HUD is proposing $600 million in shortfall funding, which would be targeted to the most financially distressed PHAs, improving their stability.

Emergency and Natural Disaster Reserve

The request includes up to $10 million for grants to PHAs for capital needs arising from emergency situations or non-Presidentially declared natural disasters. PHAs whose properties suffer damage because of Presidentially declared natural disasters are eligible to receive funding from the Federal Emergency Management Agency under the Robert T. Stafford Relief Act. Examples of capital needs funded from this set-aside include plumbing replacement, sewer line replacement, foundation stabilization, HVAC replacement, fire alarm replacement, flood abatement and mold removal and repairs, boiler pipe replacement, and emergency window replacement.

Administrative Receivership

The request includes $1 million to provide technical assistance for housing agencies in Administrative Receiverships. While the number of agencies in this category has been significantly reduced over the past five years, it is anticipated that there will always be a caseload of 1-3 public housing agencies. Depending on the size of the agency and the complexity of the governance and financial issues, technical assistance at a Receivership agency will cost between $350,000 - $1,500,000 annually. The technical assistance allows HUD to stabilize the operations of a Receivership agency and to provide the foundation to return the agency to local control as soon as it is feasible.

Financial and Physical Assessment Support

The request includes up to $14 million to provide financial and physical assessment support for rental housing assistance programs. These activities are primarily performed by the Real Estate Assessment Center (REAC), which provides the Offices of Housing and Public and Indian Housing with timely and accurate assessments of HUD’s assisted real estate portfolio using physical and financial assessments.

Jobs-Plus Initiative

The Jobs-Plus Initiative is an evidence-based strategy for increasing the employment opportunities and earnings of public housing residents through a three-pronged program of employment services, rent-based work incentives, and community support for work. The request includes up to $10 million for new Jobs-Plus grants to PHAs.

Demolition Funding

The request includes $30 million for competitive Public Housing Demolition Grants. This would allow the Department to provide funding to PHAs to facilitate demolition of physically obsolete public housing projects. As evidenced by HUD's most recent capital needs assessment, the public housing portfolio has a $26 billion capital needs backlog, which grows annually at a rate of $3.4 billion per year. The result of this lack of investment for some of the portfolio is significant capital needs and units that are beyond repair.

Making demolition grants available is critical because:

- Physically obsolete and severely distressed public housing units create health and safety hazards for residents;
- If vacant, these properties may become sources of criminal activity and hurt surrounding property values and the community at-large;
- Offering a severely distressed property for sale as-is can make the property unmarketable; and
- Lack of dedicated funding is for many PHAs a serious obstacle to acting on a HUD-approved demolition.

Cross-cutting Rent Reform Proposals

The current rent structure in HUD's rental assistance programs creates disincentives to employment and stable family formation, imposes large administrative burdens, generates significant costs to the Federal government, and represents a one-size-fits-all approach that does not take into consideration local community needs. HUD is committed to the reformation of its rental assistance programs with the following goals:

1. Encouraging work and stable family formation;
2. Simplifying program administration;
3. Increasing local control and choice;
4. Reducing costs to the federal government; and
5. Protecting current elderly and disabled households from adverse impacts.

In furtherance of these goals, while also continuing to assist current residents, HUD will submit a rental reform legislative proposal to Congress in March. This Budget reflects key elements of that proposal, including:

- Establishing or increasing mandatory minimum rents;
- Simplifying rent calculations and increasing tenant rent contributions;

- Preventing rent increases for the most vulnerable current tenants, the elderly and disabled, when the new rent policies are implemented;
- Limiting income recertification for all households to once every three years, which supports stable family formation and incentivizes work by deferring increases in tenant rent payments as a result of increased wages;
- Providing a hardship exemption for tenants who, in certain circumstances, are unable to pay their rents; and
- Giving PHAs and property owners the option to choose alternative rent structures, approved by the Secretary, that work best for their communities, as well as the option to implement minimum work requirements for work-able residents. These alternative rent structures must incur the same overall program costs.

Proposed funding levels, while significantly reduced from the 2017 enacted level, should support currently assisted households while strategically reshaping the Federal footprint of HUD's rental assistance programs over time. As the legislative proposal is finalized, the requested allocation of funding across rental assistance programs in 2019 may change within the existing Departmental topline. HUD will provide Congress with updates to these programs' funding levels after the proposal is released.

Please see the "Enhance Rental Assistance" justification for more information.

The Future of the Public Housing Program

Public Housing has a $26 billion capital needs backlog that grows annually, and local and state governments have not committed enough resources to preserve the long-term affordability of this important local resource. Increased regulation of the program has also made it difficult for PHAs to manage their properties effectively, and the current rent structure provides a disincentive for tenants to engage in work activities and to achieve self-sufficiency. Furthermore, the existing tools available to PHAs to deal with their rapidly deteriorating inventory, including HUD's Rental Assistance Demonstration (RAD), Section 18 Demolition and Disposition, and Voluntary Conversion, are currently all limited in their scope and ability to preserve affordable housing for the future.

To address the problem, the President's Budget includes enhanced tools and strategies to empower PHAs to make local decisions about how to best use their properties to meet the needs of their communities. For PHAs to continue to serve the families currently housed, the Budget requests new flexibilities that will enable PHAs to manage their programs in a fiscally responsible manner while mitigating displacement of currently supported households. For fiscal year 2019, HUD seeks the following flexibilities:

- Waiver Proposal: HUD seeks broad authority to waive statutory and regulatory requirements to provide PHAs with the flexibility to tailor and apply policies that address their individual needs and are acceptable within their local communities. Such waivers would encourage increased local discretion and flexibility in terms of how PHAs operate their public housing programs in a challenging budgetary environment. Specifically, HUD seeks to waive statutory and regulatory provisions related to PHA administrative, planning, and reporting requirements; energy audits; income recertifications; and program assessments.

- Capital and Operating Fund Flexibility: HUD proposes to extend the flexibility available to most small PHAs to utilize the Capital and Operating Funds interchangeably to all PHAs, regardless of troubled status and the condition of a PHA's public housing portfolio. Today, only small PHAs (under 250 units) that are not troubled and operate public housing in a safe, clean and healthy condition have full flexibility. Larger agencies are permitted to transfer only 20 percent of the Operating Fund to the Capital Fund and vice versa. HUD proposes full flexibility for all PHAs to use fiscal year 2019 operating subsidies and prior year funding from both the Capital and Operating Funds. This flexibility would enable PHAs to focus limited Federal resources on local priorities without being constrained by the statutory limitations of each fund.

The Budget also requests funding to support asset recapitalization options, including:

- $30 million for new competitive demolition grants: As described on page 7-5
- $60 million in Tenant Protection Vouchers for affected Public Housing residents: The Budget requests a set-aside to mitigate the displacement of Public Housing families as properties exit the program. More information about this request can be found in the Tenant-Based Rental Assistance (TBRA) justification.
- $100 million to facilitate and enable Rental Assistance Demonstration (RAD) conversions: The funding will support the RAD conversion of public housing units that would not be able to access private financing without additional capital. RAD allows public housing properties to shift to the Section 8 Project-Based Voucher (PBV) and Project-Based Rental Assistance (PBRA) platforms. These project-based Section 8 programs benefit from greater private sector involvement and can leverage private financing for modernization, generally resulting in higher quality housing for the assisted low-income families. More information about this request can be found in the RAD justification.
  In 2019, HUD will also continue the conversion of Public Housing to long-term Section 8 contracts under the RAD program. Each year, HUD transfers public housing operating and capital funds to the PBRA or TBRA accounts in the amounts necessary to fund the new Section 8 HAP contracts that were entered into in the prior year. (Authority to execute this transfer is provided within Public Law 112-55.) Without any funding appropriated to the Public Housing Capital Fund in 2019, the funds to support the transfers will originate from the Operating Fund.

On a parallel track, HUD is pursuing administrative items that would enhance recapitalization and preservation options available to PHAs:

- Allow PHAs, under certain conditions, to retain public housing property free from use restrictions and exempt from the compensation requirements of 2 CFR part 200. This option would allow PHAs to retain the real property and end HUD's commitment to provide annual public housing subsidies.

Public Housing Operating Fund

- Permitting small PHAs to utilize a streamlined Voluntary Conversion process to retain public housing property free from use restrictions and provide existing Housing Choice Vouchers (HCV) and/or tenant protection Vouchers for existing residents. This option would reduce the number of PHAs and facilitate PHA consolidation.
- Streamlining the existing application and approval processes when PHAs propose to demolish, sell, or lease public housing property under Section 18 Demolition and Disposition.

The flexibilities, funding and administrative items described above are the initial steps in a broader Departmental strategy to improve Public Housing asset recapitalization options and encourage local choice. The Department looks forward to working with Congress and stakeholders to get feedback and effectuate the vision for the Public Housing program.

General Provisions

The budget proposes the following General Provisions related to the Public Housing Operating Fund:

- Prohibition on use of funds to pay executive salaries above Level IV of the Executive Schedule (Sec. 214).
- Option to not to enforce the Physical Needs Assessment requirement (Sec. 215).
- Increased waivers, flexibilities, and regulatory relief for PHAs (Sec. 227).
- Flexibility for PHAs to use Capital and Operating Fund grants for all eligible Public Housing activities (Sec. 230).

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

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Operating Subsidy	$4,400,000	$406,818	$4,806,818	$3,943,891	$4,370,120	$752,851	$5,122,971	$2,614,000
Competitive Demolition Grants	...	...	...	...	...	...	...	30,000
Emergency Disaster Reserve	...	...	...	...	...	...	...	10,000
Financial and Physical Assessments	...	...	...	...	...	...	...	14,000
Administrative and Judicial Receiverships	...	...	...	...	...	...	...	1,000
Shortfall Prevention ..	...	...	...	...	...	...	...	600,000
Jobs Plus Initiative ..	...	...	...	...	...	...	...	10,000
Rental Assistance Demonstration (transfer)	...	-109,645	-109,645	...	...	-125,000	-125,000	...
Total	4,400,000	297,173	4,697,173	3,943,891	4,370,120	627,851	4,997,971	3,279,000

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING OPERATING FUND
Appropriations Language

The fiscal year 2019 President's Budget includes proposed changes in the appropriation language listed below.

For 2019 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)), and for other purposes as specified under this heading, $3,279,000,000, to remain available until September 30, 2020 (except as otherwise specified under this heading): Provided, That notwithstanding any other provision of law or regulation, of the total amount available under this heading, $600,000,000 shall be available to the Secretary to allocate pursuant to a need-based application process not subject to the Operating Fund formula at 24 C.F.R. 990 to public housing agencies (PHAs) that experience financial insolvency, as determined by the Secretary: Provided further, That after all such insolvency needs are met, the Secretary may distribute any remaining funds to all PHAs on a pro-rata basis pursuant to the Operating Fund formula at 24 C.F.R. 990: Provided further, That of the total amount made available under this heading, no less than $30,000,000 shall be available until September 30, 2022 for competitive grants to PHAs for demolition, and the associated relocation and administrative costs, of the most distressed public housing units: Provided further, That of the total amount made available under this heading, up to $14,000,000 shall be available until September 30, 2022 to support ongoing Public Housing Financial and Physical Assessment activities: Provided further, That of the total amount made available under this heading, up to $1,000,000 shall be available until September 30, 2022 to support the costs of administrative and judicial receiverships: Provided further, That of the total amount made available under this heading, not to exceed $10,000,000 shall be available until September 30, 2022 for the Secretary to make grants, notwithstanding section 204 of this Act, to public housing agencies for emergency capital needs resulting from unforeseen or unpreventable emergencies and natural disasters excluding Presidentially declared emergencies and natural disasters under the Robert T. Stafford Disaster Relief and Emergency Act (42 U.S.C. 5121 et seq.) occurring in fiscal year 2019: Provided further, That of the total amount made available under this heading, up to $10,000,000 shall be available until September 30, 2022 for a Jobs-Plus initiative modeled after the Jobs-Plus demonstration: Provided further, That funding under the previous proviso shall be available for competitive grants to partnership between PHAs, local workforce investment boards established under section 107 of the Workforce Innovation and Opportunity Act of 2014, and other agencies and organizations that provide support to help public housing residents obtain employment and increase earnings: Provided further, That applicants must demonstrate the ability to provide services to residents, partner with workforce investment boards, and leverage service dollars: Provided further, That the Secretary may allow PHAs to request exemptions from rent and income limitation requirements under section 3 and 6 of the United States Housing Act of 1937 as necessary to implement the Jobs-Plus program, including earned income disregards, on such terms and conditions as the Secretary may approve upon a finding by the Secretary *that any such or alternative requirements are necessary for the effective implementation of the Jobs-Plus initiative as a voluntary program for residents: Provided further, That the Secretary shall publish by notice in the Federal Register any waivers or alternative requirements pursuant to the preceding two provisos no later than 10 days before the effective date of such notice: Provided further, That the amount of any reduced tenant rent payments due to the implementation of rent incentives as authorized pursuant to such waivers or alternative requirements shall be factored into the PHA's general operating fund eligibility pursuant to 24 C.F.R. 990 and shall not be charged against the competitive grant amounts.*

Note.—A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

PUBLIC AND INDIAN HOUSING
CHOICE NEIGHBORHOODS
2019 Summary Statement and Initiatives
(Dollars in Thousands)

CHOICE NEIGHBORHOODS	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$137,500	$132,321	...	$269,821	$132,821	$36,070
2018 Annualized CR	137,500	137,500	-$934[a/]	274,066	274,066	150,000
2019 Request	...	...	...	...	...	12,000
Change from 2018	-137,500	-137,500	+934	-274,066	-274,066	-138,000

a/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 President's Budget requests no funding for the Choice Neighborhoods program, and proposes to cancel unobligated balances in Choice Neighborhoods and its predecessor program, HOPE VI.

The Budget recognizes a greater role for State and local governments and the private sector to address community revitalization needs, and redirects constrained Federal resources to higher priority activities. Choice Neighborhoods provides two kinds of grants: planning and action grants which supported the development of neighborhood transformation plans and community improvement projects, and implementation grants, which allowed communities to fund some portion of their neighborhood plan. There are currently 10 active Planning Grants and 18 active Implementation Grants. HUD will continue to monitor current grantees and provide assistance to existing projects.

General Provisions

The President's Budget proposes the following General Provision for Choice Neighborhoods:

- Cancellation of $137 million Choice Neighborhoods unobligated balances and $1 million HOPE VI unobligated balances (Section 233).

PUBLIC AND INDIAN HOUSING
CHOICE NEIGHBORHOODS
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Choice Neighborhoods								
Grants	$137,500	$132,321	$269,821	$132,821	$136,566	$137,500	$274,066	...
Total	137,500	132,321	269,821	132,821	136,566	137,500	274,066	...

PUBLIC AND INDIAN HOUSING
FAMILY SELF-SUFFICIENCY PROGRAM
2019 Summary Statement and Initiatives
(Dollars in Thousands)

FAMILY SELF-SUFFICIENCY PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$75,000	$75,000	...	$150,000	...	$73,491
2018 Annualized CR	75,000	75,000	-$509[a/]	149,491	$149,491	61,000
2019 Request	75,000	...	...	75,000	75,000	85,000
Change from 2018	...	-75,000	+509	-74,491	-74,491	+24,000

a/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 President's Budget requests $75 million for the Family Self-Sufficiency (FSS) program, which is $509 thousand more than the fiscal year 2018 Annualized CR level. The FSS program promotes local strategies that leverage public and private resources which enables HUD-assisted families to increase earned income and reduce the need for welfare assistance. FSS provides funds to Public Housing Authorities (PHAs) to support for the salaries of service coordinators, who connect participating families to an array of services provided by other State, city and local programs for job training, financial counseling and other supportive services.

2. Request

FSS is the largest asset-building program for low-income families in the country. It uses stable housing as a means for promoting economic self-sufficiency for Public Housing and Housing Choice Voucher residents. The $75 million request would allow the Department to fund approximately 1,300 Family Self-Sufficiency Program Coordinators that will serve approximately 75,000 families at PHAs nationwide.

The program funds FSS Coordinators at PHAs to help participants achieve employment goals and accumulate assets. The FSS Coordinators in each local program build partnerships with employers and service providers in the community to help participants obtain jobs and access supportive services. These supportive services may include child care, transportation, basic adult education, job training, employment counseling, substance/alcohol abuse treatment, financial literacy, asset-building skills, and homeownership counseling. The role of the FSS Coordinator is essential to the success of the FSS program.

The overarching goals of the FSS program include:

- Higher savings, earnings, and employment rates among program participants;
- Reduced debt, higher education attainment, and improvement in credit scores; and
- Participants graduating from the program do not require Temporary Assistance to Needy Families (TANF) assistance and their need for rental assistance is decreased or eliminated.

3. Justification

Enacted in 1990 and having enjoyed bi-partisan support since then, the FSS program helps families in Public Housing, the Housing Choice Voucher (HCV) program and some Project-Based Section 8 properties make progress toward economic security by combining stable affordable housing with coordination of services to support work and a rent incentive in the form of an escrow account that grows as families' earnings increase. The program helps families set 5-year goals to achieve economic security and economic independence. Through FSS, participants become and stay employed, become independent of TANF assistance, and increase their income level. Graduating participants gain access to the escrow account established in their name. The graduating participants also decrease or eliminate the need for rental assistance, and more resources are made available to serve more families over time.

The success of the program in promoting the economic security and self-sufficiency of Public Housing and HCV participants is demonstrated by local communities achieving the following outcomes covering July 2016 – June 2017:

- Over 75,000 households actively participate in the program;
- 5,146 families successfully completed their FSS contracts and graduated;
- 100 percent of graduating families did not require temporary cash assistance (TANF/welfare);
- 52 percent of graduates have escrow savings, at an average of approximately $6,500;
- 1,564 FSS program graduates (30 percent of graduates) exited rental assistance within one year of leaving the FSS program; and
- 610 FSS program graduates (11.85 percent of graduates) went on to purchase a home.

The following is an actual example of outcomes for program graduates and their families: G.S., from the Washington, DC area, battled addiction and homelessness before becoming a public housing resident, working as housekeeper at a hotel and convention center. Living in a high high-cost city, where the fair market rent for a two-bedroom apartment exceeds $1,600, he was barely earning enough to get by even with housing assistance. He was, however, determined to pursue his dream of becoming a homeowner. He enrolled in the FSS program, participated in credit counseling, financial literacy courses, and a first-time homebuyer workshop. During his three-year participation in the program, he was promoted to guest services engineer, increased his income by $22,000 (a 57 percent increase from program entry) and accrued enough in escrow savings for a down payment on a townhome. He continued pursuing another dream: entrepreneurship. He purchased a pickup truck to start his own moving and hauling business and is now also a proud small business owner. Other success stories can be found in the "25 Years of the Family Self-Sufficiency Program: Families Working, Families Prospering summary beginning on page 6.

Cost-Effectiveness

The FSS program is cost-effective in that it does not directly fund the wrap-around services utilized by residents to achieve self-sufficiency. Grants to PHAs are for one year, and cover primarily the Coordinator's salary, while all services are funded by partners. Residents benefit from an array of services leveraged from State, city and local programs by the Coordinators. HUD capitalized on its fiscal years 2015 and 2016 appropriations to further the efficiencies of the program by not only serving HCV and Public Housing residents, but also by expanding eligibility to residents in the Project-Based Rental Assistance (PBRA) program. This expansion continues to allow PBRA owners to voluntarily make the FSS program available to their residents and to use residual receipts to support the program to assist families.

Evaluating Program Success

In an effort to further evaluate and expand upon prior study results, HUD's Office of Policy Development and Research (PD&R) continues to undertake a longitudinal, randomized controlled study of the FSS program. PD&R has entered a collaboration with the foundation community to more robustly test various FSS models. The Department intends to support the FSS program through the period of the study with the commitment of modifying the program based on the research results.

Preliminary findings in a randomized control trial of the FSS program, as well as two alternative strategies conducted by MDRC in New York City, warranted further study. Early reports showed that the FSS program, when combined with more immediate cash incentives conditioned upon full-time work, produced a significant effect on a sub-group of participants who were not initially working. In addition, both the FSS program and the more immediate cash assistance alone, produced an earnings gain for participants who are receiving Supplemental Nutrition Assistance Program (SNAP) benefits.[1] The continued statistical significance of the impact and the generalizability from the New York economy to the rest of the country needed to be established. In March 2012,

[1] http://www.mdrc.org/publication/working-toward-self-sufficiency

HUD commissioned MDRC to conduct a national impact evaluation of FSS. The national evaluation ends in September 2018, allowing for roughly 30-36 months of post-random assignment follow up. HUD also awarded a Research Partnership to Abt Associates, supported by national philanthropy, to evaluate the partnership model in place between Compass Working Capital and several PHAs in Massachusetts. These evaluations, along with the longitudinal study, will give practitioners valuable information on the successful and challenging components of the program, and will allow HUD to make evidence-based improvements to FSS.

In addition to current evaluation efforts, HUD's PD&R conducted a study of FSS participant outcomes from 2005 to 2009. The 2011 report found that during that period, program graduates were more likely to be employed and had higher incomes than non-program graduates. The average annual income for FSS graduates had increased from $19,902 to $33,390.[2] The first national evaluation of FSS conducted by HUD, which covered the period from 1996-2000, revealed that the median income for FSS families increased 72 percent during participation in the FSS program, while a similar group of non-FSS participants' median incomes increased by only 36 percent during the same period.[3] While this study indicated that the program has positive impacts, this study did not control for self-selection and is the main reason that HUD is completing a more rigorous evaluation, as described above.

Program Improvements

HUD has undertaken improvements to the FSS program, which will assist grantees and increase accountability. Such improvements include a variety of guidance and training for grantees. HUD made available in May, 2017: (1) an FSS Promising Practices Guidebook that includes guidance on outreach and goal setting, case management/coaching, increasing residents' earnings, building assets and financial capability, and building effective FSS infrastructure; and (2) online training, based on the guidebook, that will be mandatory for all funded FSS programs.

As an additional improvement, HUD issued a Federal Register Notice on December 12, 2017, requesting comments on a performance measurement system that HUD plans to implement for PHAs that receive FSS program coordinator grants. The Notice also requests comment on whether and, if so, how to develop a performance measurement system for FSS programs that do not receive FSS coordinator funding (i.e., participating Project-Based Rental Assistance properties). HUD anticipates implementing the new performance measurement system in fiscal year 2018.

[2] De Silva, Lalith et. al. Evaluation of the Family Self-Sufficiency Program: Prospective Study. 2011. Prepared by Planmatics, Inc. and Abt Assoc. Inc. for the U.S. Department of Housing and Urban Development. Available on the Internet at: http://www.huduser.org/Publications/pdf/FamilySelfSufficiency.pdf

[3] Lubell, Jeff. HUD Program Evaluation Confirms FSS' Success in Promoting Self-Sufficiency and Asset-Building. 2004. Available on the Internet at: http://portal.hud.gov/hudportal/documents/huddoc?id=fssevalsummary.pdf. Robert C. Ficke and Andrea Piesse. Evaluation of the Family Self-Sufficiency Program, Retrospective Analysis, 1996 to 2000. 2005. Prepared by WESTAT, in collaboration with Johnson, Bassin and Shaw, for the U.S. Department of Housing and Urban Development. Available on the Internet at: https://www.huduser.gov/portal/publications/selfsufficiency.pdf.

PUBLIC AND INDIAN HOUSING
FAMILY SELF-SUFFICIENCY PROGRAM
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Grants	$75,000	$75,000	$150,000	...	$74,491	$75,000	$149,491	$75,000
Total	75,000	75,000	150,000	...	74,491	75,000	149,491	75,000

PUBLIC AND INDIAN HOUSING
FAMILY SELF-SUFFICIENCY PROGRAM
Appropriations Language

The fiscal year 2019 President's Budget includes the appropriation language listed below.

For the Family Self-Sufficiency program to support family self-sufficiency coordinators under section 23 of the United States Housing Act of 1937, to promote the development of local strategies to coordinate the use of assistance under sections8(o) and 9 of such Act. Account with public and private resources, and enable eligible families to achieve economic independence and self-sufficiency, $75,000,000, to remain available until September 30, 2020: Provided, That the Secretary may, by Federal Register notice, waive or specify alternative requirements under subsections b(3), b(4), b(5), or c(1) of section 23 of such Act in order to facilitate the operation of a unified self-sufficiency program for individuals receiving assistance under different provisions of the Act, as determined by the Secretary: Provided further, That owners of a privately owned multifamily property with a section 8 contract may voluntarily make a Family Self-Sufficiency program available to the assisted tenants of such property in accordance with procedures established by the Secretary: Provided further, That such procedures established pursuant to the previous proviso shall permit participating tenants to accrue escrow funds in accordance with section 23(d)(2) and shall allow owners to use funding from residual receipt accounts to hire coordinators for their own Family Self-Sufficiency program.

Note. —A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56). The amounts included for 2018 reflect the annualized level provided by the continuing resolution

PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
2019 Summary Statement and Initiatives
(Dollars in Thousands)

NATIVE AMERICAN HOUSING BLOCK GRANTS	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$654,000	$44,872[a]	...	$698,872	$647,987	$620,201
2018 Annualized CR	654,000	50,658	-$4,441[b]	700,217	648,000	627,381
2019 Request	600,000	50,211	...	650,211	606,211	533,274
Change from 2018	-54,000	-447	+4,441	-50,006	-41,789	-94,107

NOTE: The table above reflects only discretionary budget authority; mandatory authority for upward credit re-estimates is excluded.
a/ This number includes $28.1 million of funds recaptured from prior year obligations in fiscal year 2017.
b/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.

1. Program Purpose and Fiscal Year 2019 Budget Overview

In fiscal year 2019, the President's Budget requests $600 million for Native American Housing Block Grants, $50 million less than the fiscal year 2018 Annualized CR level.

The two programs established by the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA, 25 U.S.C. 4101 *et seq.*) are the Indian Housing Block Grant (IHBG), also known as the Native American Housing Block Grant (NAHBG) program, and the Federal Guarantees for Financing Tribal Housing Activities program, also known as the Title VI Loan Guarantee program.

The programs support Indian tribes and tribally designated housing entities in their efforts to develop, maintain, and operate affordable housing in safe and healthy environments, on Indian reservations and in other Indian areas, for occupancy by low-income Indian families. The Department provides assistance in a manner that recognizes the right of Indian self-determination and tribal self-governance by making grant funds available directly to the Indian tribes or their tribally designated housing entities. This approach has developed successful partnerships among local, State, Federal, and tribal governments, as well as with private and non-profit entities. Streamlined rules and regulations allow for ease of administration, more local control and program flexibility—without government involvement in day-to-day activities. Key outcomes of the IHBG program are the following:

- Maintaining of the quantity of affordable homes in Indian Country;
- Improving housing conditions by reducing the number of substandard homes found in many Native American communities; and
- Enabling more private-market investment in Indian Country through the Title VI Loan Guarantee program.

2. Request

The request includes $598 million for the IHBG program, which was established by Title I of NAHASDA, and is the principal means by which the United States fulfills its trust obligations to low-income American Indian and Alaska Natives by providing them safe, decent, and sanitary housing. Approximately 364 recipients, representing more than 567 tribal entities in 35 states, receive annual grants. Beneficiaries must be primarily low-income American Indians or Alaska Natives. *Housing Needs of American Indians and Alaska Natives in Tribal Areas*[1], published by HUD in January 2017, reported the results of a comprehensive, national study of housing needs in Indian Country. The study found that the physical housing problems for Indian households in tribal areas are much more severe than for U.S. households on average. It documented the immediate need, as of 2015, for 68,000 units of new, affordable housing in Indian Country to replace substandard or overcrowded units. Consistent with the study's recommendation, the Department is using its technical assistance to help tribes enhance their development efforts and to better leverage the assistance they receive through the dissemination of successful tribal strategies that meet the urgent housing needs of tribal communities.

The request includes $2 million for the Tribal Housing Activities Loan Guarantee program, which was established by Title VI of NAHASDA. Recipients can leverage their block grant funds by using the Title VI loan guarantee program, which encourages private lenders to finance tribal housing development activities. Goals for both programs are to increase homeownership opportunities; support safe, decent, and affordable rental housing; strengthen Native American communities; and ensure high standards of ethics, management, accountability, and fiscal integrity in the management of the program, while observing the policies and principles of tribal self-determination.

[1] See: https://www.huduser.gov/portal/publications/HNAIHousingNeeds.html for complete results.

3. Justification

The IHBG program is the single largest source of funding for housing on Indian tribal lands, where safe, decent, affordable housing is desperately needed. IHBG funds can be leveraged and used as a catalyst for community and economic development. The program substantially contributes to stabilizing communities and building healthy economies within American Indian and Alaska Native communities, many of which are in rural areas.

Grant awards are distributed annually, by formula, to eligible American Indian or Alaska Native tribes, or their tribally designated housing entities, to provide a range of affordable housing activities that primarily benefit low-income Indian families living on Indian reservations or in other Indian areas. During the last decade, individual grants have ranged in size from about $50,000 to about $94 million, with a median grant of about $269,000. Flexibility inherent in this program enables tribes to design, develop, and operate their own affordable housing programs based on local needs and customs; HUD monitors grantees to ensure compliance with applicable statutes and regulations. Eligible affordable housing activities are listed in Section 202 of NAHASDA, and include:

- The provision of modernization or operating assistance for housing previously developed or operated with HUD funds;
- The acquisition, new construction, reconstruction, or moderate or substantial rehabilitation of affordable housing;
- Property acquisition, site improvement, and the development of infrastructure;
- The provision of housing services, such as housing counseling and self-sufficiency activities;
- Loan processing, inspections, and tenant selection;
- The provision of safety, security, and law enforcement measures to protect residents of affordable housing from crime; and
- Model activities (approved by the Secretary).

The grant distribution formula, developed in consultation with tribes under statutorily mandated Negotiated Rulemaking, is based on need and the number of existing housing units that were funded under the U.S. Housing Act of 1937 (before NAHASDA was enacted). Need is calculated using several weighted factors, such as the local population's income levels, the condition of existing housing, and the level of local housing costs. In November 2016, the Department published a Final Rule that marked the completion of three years of work by the negotiated rulemaking committee charged with developing regulatory changes to the funding formula of the IHBG program[2]. Starting in fiscal year 2018, the formula data are drawn from the United States Decennial Census and the American Community Survey, with adjustments to spread the impact on individual grantees' yearly funding levels over a number of

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[2] FR–5650–F–14 Native American Housing Assistance and Self-Determination Act; Revisions to the Indian Housing Block Grant Program Formula.
https://www.regulations.gov/document?D=HUD-2016-0054-0017

years. Other changes included administrative changes to the demolition language and conveyance requirements, and an increase to the minimum grant amount.

The results of the comprehensive national study on housing needs in Indian Country, as previously stated, show that housing problems of American Indians and Alaska Natives on reservations and other tribal areas are extremely severe. For example, physical deficiencies in plumbing, kitchen, heating, electrical, and maintenance issues were found in 23 percent of households in tribal areas, compared to 5 percent of all U.S. households. The study estimated that between 42,000 and 85,000 Native Americans are "doubled up," i.e., living with family or friends because they have no place else to stay and would otherwise be staying in a homeless shelter or a place not meant for human habitation or living on the streets. In tribal areas homelessness often translates into overcrowding, and 68,000 units of new affordable housing are needed to replace substandard or overcrowded units. With few exceptions, American Indian and Alaska Native communities rank below other groups when comparing statistical indicators of social and economic well-being. For example, during the 2006-2010 Census period, the poverty rate for American Indians and Alaska Natives in tribal areas was 32 percent, compared to the 18 percent national rate for non-Indians. For these reasons, the federal investment in the IHBG program is critical, as is the dissemination of leveraging and other affordable housing development strategies that work in tribal areas.

The study also found that, under NAHASDA, Indian tribes have matched or exceeded the previous rate of assisted housing production that was accomplished under prior HUD programs (before 1998). Tribal leaders and administrators that were interviewed for the study almost uniformly prefer operations under NAHASDA to the system that existed before. The tenets of the tribal self-determination policy, as embodied in the block grant program, give tribes greater flexibility to determine what types of products and services they offer, how they will deliver programs and projects, and whom they serve (although with certain specified exceptions, they are still required to serve low-income Indian families). This approach has worked well in Indian Country, where geographies, climates, customs, resources, and economic conditions vary widely. Researchers also found ample evidence of partnerships among tribes and other community stakeholders, not only to leverage funds, but also to provide homebuyer education, teach home maintenance, improve home energy efficiency, and provide training and employment in the building trades.

Recipients of IHBG funds are required to prepare and submit to HUD, an annual Indian Housing Plan that spells out how they intend to use the funds they receive under their IHBG in the coming year. The Plan must describe the recipient's existing housing stock, assess housing needs, and detail how resources will be expended. Recipients must also prepare and submit an Annual Performance Report, which covers the amount of funds spent and quantifies what the recipient has accomplished the program year. Monitoring is accomplished through processes designed to respect tribal sovereignty and self-governance. Using a risk-based approach, HUD monitors recipients and works with them to correct or remedy any noncompliance that is found. In addition to amounts enacted in this account in prior years, technical assistance and training will be provided in fiscal year 2019 through the Department's Research and Technology account.

As part of its responsibility to provide public accountability, HUD's Office of Native American Programs developed performance indicators, short-term and long-term goals, and a performance tracking database. The information in the database helps ONAP's managers evaluate the program's performance and plan activities. The database has evolved and expanded over the last decade, and is also used to process day-to-day grant management and monitoring activities. Primary outputs tracked for the Indian Housing Block Grant program are the number of affordable housing units built, acquired, or rehabilitated. Also tracked are the dollar amounts of program funds expended on the various eligible housing activities. A good indicator of an efficient administration is that the annual planning and administrative expenses are generally less than 15 percent of total expenditures, far below the maximum allowed.

HUD's database showed that, in fiscal year 2017, 846 affordable housing units were built or acquired using IHBG funds, and 4,536 units were substantially rehabilitated. In addition, tribes operated, maintained, and renovated about 42,000 units of 1937 Act housing. Since the program's first year of funding in 1998, through fiscal year 2017, recipients built or acquired more than 39,300 units of affordable housing, and rehabilitated about 87,700 units. These indicators represent some of the most important and consistent uses of program funds, but they do not reflect the entire scope of program activity. For example, since 2013, tribes have used IHBG funds to purchase more than 1,300 acres of land to develop affordable housing, and have provided down payment or closing cost assistance to 3,850 families.

Also funded under this account is the Tribal Housing Activities Loan guarantee program, also known as the Title VI Loan Guarantee Program, which promotes homeownership opportunities through a public-private partnership. This request includes $2 million to be set aside as a credit subsidy to support loan guarantee authority of $17.76 million, based on a subsidy rate of 11.26 percent. Under the Title VI program, HUD guarantees 95 percent of principal and interest on loans made by private lenders to recipients of Indian Housing Block Grant funds. Borrowers pledge a portion of their current and future grant funds as security. The guarantee has proven to be an incentive for lenders to partner with tribes in the development of tribal housing. From the inception of the Title VI Loan Guarantee program in 2000 through September 30, 2017, a total of 100 loans have been guaranteed, for 243 million. Approximately 3,276 affordable units are associated with these loans. Title VI projects typically span several years, and include infrastructure development.

General Provisions

The President's Budget proposes the following General Provisions for the Native American Housing Block Grants account:

- Clarification of Authority Regarding Unexpended Indian Housing Block Grant Funds. This proposal clarifies HUD's authority to address unexpended Indian Housing Block Grant (IHBG) funds. The language makes clear that regardless of the ability of IHBG recipients to accumulate grant funds for future use, HUD can still find that a recipient has failed to carry out eligible activities and expend grant funds in a timely manner. (Sec. 242)

- Safeguarding IHBG Funds. This proposal would revise the Indian Housing Block Grant (IHBG) hearing process for suspected misappropriations of IHBG grant funds to allow HUD to commence – rather than complete - hearing procedures in 60 days and be able to suspend funds until the hearing is completed. (Sec. 243)

- Clarification of Authority regarding Misallocated Indian Housing Block Grant Funds. This proposal clarifies HUD's authority to recapture misallocated HUD funds. Funding allocations are in part based on self-reported, and sometimes incorrect, information from recipients, which can lead to a recipient receiving more Indian Housing Block Grant (IHBG) funding than it should have according to the allocation formula. This proposal makes clear that HUD has the authority to require the IHBG grantee to pay the excess funds back to agency, and allow HUD to recapture the funding by offsetting the excess funds against past, current, or future grants if a grantee cannot or refuses to repay the excess funds. (Sec. 244)

- Technical Edit to NAHASDA. This language is a necessary technical correction to an outdated cross reference in the Native American Housing Assistance and Self-Determination Act (NAHASDA). Section 103(c) (3) of NAHASDA contains a reference to section 102(c)(5) of NAHASDA but that citation was deleted in the 2008 Reauthorization of NAHASDA. The reference should be section 102(b)(2)(D). (Sec. 245)

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

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Formula Grants	$645,000	$42,949	$687,949	$645,987	$640,620	$41,735	$682,355	$598,000
Loan Guarantee - Title VI (Credit Subsidy) ..	2,000	900	2,900	1,067	1,987	1,833	3,820	2,000
Technical Assistance ..	3,500	280	3,780	190	3,476	3,590	7,066	...
National or Regional Organization	3,500	743	4,243	743	3,476	3,500	6,976	...
Total	654,000	44,872	698,872	647,987	649,559	50,658	700,217	600,000

PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
Appropriations Language

The fiscal year 2019 President's Budget includes the appropriation language listed below.

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.), $600,000,000, to remain available until September 30, 2023: Provided, That, notwithstanding NAHASDA, 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 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 $17,761,989.

Note.—A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN HOUSING BLOCK GRANTS
2019 Summary Statement and Initiatives
(Dollars in Thousands)

NATIVE HAWAIIAN HOUSING BLOCK GRANTS	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$2,000	$527	...	$2,527	$1	$6,097
2018 Annualized CR	2,000	2,527	-$14[a]	4,513	1,986	13,903
2019 Request	...	2,000	...	2,000	...	10,001
Change from 2018	-2,000	-527	+14	-2,513	-1,986	-3,902

a/ Public Law 115-56 requires a reduction of 0.6791 percent from the fiscal year 2017 enacted budget authority.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Native Hawaiian Housing Block Grant program supports the construction, acquisition, or rehabilitation of affordable housing units and their related infrastructure on the Hawaiian home lands. In fiscal year 2019, the program's balances of prior years' budget authority are sufficient to support these goals; therefore, the Department does not request any new appropriations.

2. Request

Section 802 of NAHASDA states that the NHHBG program's sole grant recipient, the (State) Department of Hawaiian Home Lands (DHHL), shall carry out affordable housing activities for low-income Native Hawaiian families who are eligible to reside on Hawaiian home lands. Current and planned activities include the following:

- Infrastructure development to support future construction of new homeownership and rental housing units.
- Housing counseling and training services to prepare families for homeownership and to prevent foreclosure.
- Home rehabilitation to improve substandard units.

The NHHBG provides funding to DHHL to provide affordable housing activities on Hawaiian home lands to eligible Native Hawaiian families. The term, "Hawaiian home lands" means lands that have the status as Hawaiian home lands under section

204 of the Hawaiian Homes Commission Act, 1920 (42 Stat. 110); or are acquired pursuant to that Act. The term "Native Hawaiian" means any individual who is a citizen of the United States, and is a descendant of the aboriginal people, who, prior to 1778, occupied and exercised sovereignty in the area that currently constitutes the State of Hawaii, as evidenced by genealogical records; verification by kupuna (elders) or kama'aina (long-term community residents); or birth records of the State of Hawaii.

3. Justification

The Hawaiian home lands are in various geographic areas of the islands, typically in rural areas. Under this program, DHHL can develop raw, vacant Hawaiian homelands, which are set aside for Native Hawaiian families, into master-planned communities. As a rule, these communities are not located in prime resort locations, and in fact, are often in less desirable areas with steep terrain that is difficult to access and develop. The difficulties involved in developing this raw land add to the already high cost of providing housing. A significant amount of program funds is used to support site improvements and infrastructure for new construction of affordable housing. Project development is a lengthy process, and usually includes environmental reviews, procurement of construction contracts, compliance with local building permitting requirements, mass grading of raw land, installation of streets, drainage, water, sewer and utilities, and home construction. To prevent foreclosures and promote responsible homeownership, direct assistance is provided to qualified homeowners through counseling programs, down payment assistance, subsidies, low-interest rate loans, and matching funds for individual development accounts.

In the 2010 census, 290,000 people identified as Native Hawaiian and were living in Hawaii (about 21 percent of Hawaii's population). Of these, 30,858 lived on the home lands. There is significant need for affordable housing among this population. A 2017 report[1] indicates that:

- Native Hawaiians have lower incomes, higher poverty rates, and lower educational attainment rates than other residents of Hawaii.
- Native Hawaiian households experience higher rates of overcrowding (15 percent) compared with other Hawaiian households (8 percent).

[1] *Housing Needs of Native Hawaiians, A Report from the Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs*. May 2017. https://www.huduser.gov/portal/publications/housing-needs-native-hawaiians.html

Native Hawaiian Housing Block Grants

- Native Hawaiians are overrepresented in Hawaii's homeless population. In 2015, Native Hawaiians and other Pacific Islanders accounted for only 10 percent of the state's population, but they accounted for 39 percent of the 7,620 people experiencing literal homelessness in Hawaii.

DHHL has provided housing services through the following eligible activities:

- Development. The 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 related activities. Over the life of the program, more than 80 percent of NHHBG funds have been spent on activities in this category.
- Housing Services and Model Activities. Funds 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.
- Planning and Administration: Eligible administrative and planning expenses include, but are not limited to, administrative management, evaluation and monitoring, preparation of annual plans and reports required by HUD, and staff and overhead costs directly related to carrying out affordable housing activities. HUD authorizes DHHL to use up to 20 percent of its grant for planning and administrative purposes.

In 16 years of program activity (2002-2017), DHHL built, acquired, or rehabilitated 656 affordable homes using NHHBG funds. Approximately 693 lots have been improved with infrastructure to support construction of affordable homes. Three community centers have been rehabilitated to provide housing services to affordable housing residents. Housing services, such as pre- and post-homebuyer education, financial literacy training, and/or self-help home repair training to sustain safe, decent, occupant-owned housing have been provided to more than 2,000 individuals and families.

DHHL routinely leverages NHHBG funding to maximize its impact on the Native Hawaiian community. NHHBG carryover will be used for providing affordable housing opportunities to Native Hawaiian families. All the technical assistance set-aside carryover is expected to be used for training and technical assistance.

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

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Grants	$2,000	...	$2,000	...	$1,986	$2,000	$3,986	...
Technical Assistance ..	...	$527	527	$1	...	527	527	...
Research and Technology (transfer)	...	...	...	...	...	...	...	...
Total	2,000	527	2,527	1	1,986	2,527	4,513	...

PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
2019 Summary Statement and Initiatives
(Dollars in Thousands)

INDIAN HOUSING LOAN GUARANTEE FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$7,227	$7,079[a]	...	$14,306	$5,427	$4,791[b]
2018 Annualized CR	7,227	8,879	-$49[c]	16,057	4,009	3,333
2019 Request	...	11,710	...	11,710	3,040	3,883
Change from 2018	-7,227	+2,831	+49	-4,347	-969	+550

NOTE: The table above reflects only discretionary budget authority; mandatory authority for upward credit reestimates is excluded.
a/ This number includes $434 thousand of funds recaptured from prior year obligations in fiscal year 2017.
b/ This number differes from the President's Budget due to rounding.
c/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.

1. Program Purpose and Fiscal Year 2019 Overview

The Department will carry forward balances of prior year subsidy budget authority and loan commitment authority that will be sufficient to guarantee the $880 million in loans projected for fiscal year 2019 under the Indian Housing Loan Guarantee program (also known as the Section 184 program); therefore, the President's Budget does not request new appropriation of budget authority.

Key outcomes of the Indian Housing Loan Guarantee Fund are:

- access to market-rate home mortgage lending for Native American families;
- investment and engagement of mortgage lenders serving Native American families and tribal borrowers; and
- increased supply of housing in Indian Country to relieve overcrowding.

2. Request

The Indian Housing Loan Guarantee program is authorized by Section 184 of the Housing and Community Development Act of 1992, P.L. 102-550, enacted October 28, 1992, as amended. Regulations are at 24 CFR part 1005. The program addresses the needs of American Indians and Alaska Natives by making it possible to achieve homeownership with market-rate financing. This loan guarantee program maximizes a relatively minimal federal investment by insuring approximately 4,000 loans each year, and by expanding markets for lenders. The program provides an incentive for private lenders to market loans to this traditionally underserved population by guaranteeing 100 percent repayment of the unpaid principal and interest due in the event of default. Lenders get the guarantee by making mortgage loans to American Indian and Alaska Native families, Indian tribes, and tribally designated housing entities to purchase, construct, refinance, and/or rehabilitate single-family homes on trust or restricted land, and in tribal areas of operation. There is no income limit or minimum required to participate, but borrowers must qualify for the loans. To meet program demand and reduce reliance on federal appropriation, HUD started collecting a 1.5 percent up-front fee in fiscal year 2014. In fiscal year 2015, HUD added 0.15 percent annual premium payment. In fiscal year 2017, HUD increased the annual fee from 0.15 to 0.25 percent, while the upfront loan guarantee fee remained at 1.50 percent.

This program makes it possible for Indian tribes, Indian housing authorities, and tribally designated housing entities to promote the health of reservation economies and communities by making homeownership a realistic option for tribal members. It provides access to market-rate, private mortgage capital, and is not subject to income restrictions. The program allows Native Americans from across the income spectrum the opportunity to purchase quality housing in their native community. Tribes can also use the program to diversify the type of housing on native lands by developing housing for homeownership or as long-term rentals, without affordability restrictions.

3. Justification

HUD continues to be the largest single source of financing for housing in tribal communities. The Section 184 program is the primary vehicle to access mortgage capital in Indian communities. The program helps tribes promote the development of sustainable reservation communities by making homeownership a realistic option for tribal members. It provides access to market-rate, private mortgage capital, and is not subject to income restrictions. The Section 184 program does not have minimum requirements for credit scores and allows for alternative forms of credit and non-traditional income to address specific issues within the Native American communities. The program gives Native Americans from across the income spectrum the choice of living in their native community. In addition to individual Indians, tribes and tribally designated housing entities (TDHE) are eligible borrowers. This benefit of the program makes it possible for tribes and TDHEs to address housing shortages by developing and financing rental housing or by promoting homeownership opportunities for tribal members through lease purchase programs. The primary indicator of performance is the number of loans guaranteed under this program. As of

September 30, 2017, a total of 39,436 (cumulative over the 23-year life of the program) loans totaling over $6.6 billion had been guaranteed.

- In fiscal year 2013, 3,852 loans were guaranteed for almost $672.3 million.
- In fiscal year 2014, 3,449 loans were guaranteed for more than $595 million.
- In fiscal year 2015, 4,198 loans were guaranteed for more than $738 million.
- In fiscal year 2016, 4,841 loans were guaranteed for $828 million.
- In fiscal year 2017, 4,147 loans were guaranteed for approximately $782 million.
- In fiscal years 2018 and 2019, 4,889 loans are expected to be guaranteed for approximately $880 million.

In January 2017, as part of the congressionally mandated Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs, HUD published *Mortgage Lending on Tribal Land: A Report From the Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs*. The report finds that the Section 184 program have helped to address the functional market barrier to private lending presented by tribal trust land. The report also details several recommendations the Department will pursue to further increase lending to Native American families through efforts like enhanced agency coordination and regulatory streamlining. Historically, American Indians and Alaska Natives have had limited retail banking opportunities and limited access to private mortgage capital, primarily because much of the land in Indian Country is held in trust by the federal government. Land held in trust for a tribe cannot be encumbered or alienated, and land held in trust for an individual Indian must receive federal approval through the Bureau of Indian Affairs before a lien can be placed on the property.

The companion report to *Mortgage Lending on Tribal Land* found that much of Indian Country suffers from a severe lack of decent, affordable housing. *Housing Needs of American Indians and Alaska Natives in Tribal Areas* (published by HUD in January 2017) reports that housing conditions vary by region, but are substantially worse overall among American Indian and Alaska Native households in tribal areas than among all U.S. households, with overcrowding being especially severe. Physical deficiencies in plumbing, kitchen, heating, electrical, and maintenance issues were found in 23 percent of households in tribal areas, compared to 5 percent of all U.S. households. Overcrowding coupled with another physical condition problem was found in 34 percent of households in tribal areas, compared to 7 percent of all U.S. households. The percentage of households with at least one "doubled-up" person staying in the household because they had nowhere else to go was 17 percent, estimated to be up to 84,700 people. The report estimates that 68,000 new units of affordable housing are needed immediately in Indian Country to relieve overcrowding and replace substandard units.

General Provisions

The President's Budget proposes the following General Provisions for the Indian Housing Loan Guarantee account:

- Authority to get indemnification from lenders participating in the direct loan guarantee program, and to allow lenders to be terminated from the program. Lenders participating in the Section 184 direct loan guarantee program are able to underwrite loans for closing without prior HUD review. When lenders close loans that do not comply with the Section 184 requirements, this proposal would give HUD the option of requiring them to indemnify HUD for any losses suffered. This proposal would also allow lenders to be terminated from the program if it is determined that they pose an unacceptable risk to the program. This proposal gives this program authority that is critical in FHA programs, and will help reduce risk to the program by providing HUD with a remedy in cases where lenders do not originate or underwrite mortgage loans in accordance with program requirements and guidelines. (Sec. 246)
- Clarification of the definitions of "Indian", "Indian tribe", "federally recognized tribe", and "state-recognized tribe" in Section 184 of the Housing and Community Development Act of 1992, in order for them to align with the definitions in the Native American Housing Assistance and Self-Determination Act of 1996. (Sec. 247)
- Allowing HUD to use funds previously appropriated for the Land Title Commission to be used more broadly to support the same goal of improving processes and systems related to maintaining land records in Indian Country. (Sec. 249)

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

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Loan Guarantee Credit Subsidy	$6,477	$4,598	$11,075	$3,986	$6,433	$7,391	$13,824	...
Transformation Initiative	...	...	...	...	...	...	...	...
Land Title Report Commision	...	99	99	...	...	99	99	...
Loan Guarantee Contracts	750	2,382	3,132	1,441	745	1,389	2,134	...
Total	7,227	7,079	14,306	5,427	7,178	8,879	16,057	...

NOTES: Carryover into 2017 includes $434 thousand of funds recaptured from prior year obligations in fiscal year 2017.
The table above reflects only discretionary budget authority; mandatory authority for upward credit reestimates is excluded.
Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.

PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
2019 Summary Statement and Initiatives
(Dollars in Thousands)

NATIVE HAWAIIAN LOAN GUARANTEE	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	...	$5,926[a]	...	$5,926	...	$11
2018 Annualized CR	...	5,926	...	5,926	...	...
2019 Request	...	5,926	-$5,000	926	...	...
Change from 2018	...	...	-5,000	-5,000	...	...

NOTE: The table above reflects only discretionary budget authority; mandatory authority for upward credit re-estimates is excluded.
a/ This number includes $262 thousand of funds recaptured from prior year obligations in fiscal year 2017.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Department will carry forward balances of prior year loan guarantee authority sufficient to guarantee the $23.3 million in projected loans in fiscal year 2019 in the Native Hawaiian Loan Guarantee Fund (also known as the Section 184A program). Since 2017, the program has operated on a negative subsidy basis for fiscal year 2019; therefore, the President's Budget proposes to rescind $5 million in previously appropriated credit subsidy that is no longer needed.

Key outcomes of the Native Hawaiian Loan Guarantee Fund are:

- Increased access to private mortgage financing to Native Hawaiian families for homes on the Hawaiian home lands;
- Availability of an affordable mortgage financing option for homes on the Hawaiian home lands; and
- Homeowners on the Hawaiian home lands who contribute to the economic sustainability of the community.

2. Request

The Section 184A program (12 U.S.C. 1715z-13b) 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. Regulations are at 24 CFR part 1007. The program is administered by HUD's Office of Native American Programs; one program specialist is assigned to the HUD office in Honolulu, Hawaii.

This program offers Native Hawaiians the opportunity to become homeowners by offering lenders a 100 percent guarantee in the event of a default. This guarantee makes possible the private financing of home mortgages by private financial institutions, which would otherwise not be feasible because of the unique legal status of Hawaiian home lands. Through this program, eligible borrowers can obtain a mortgage with a market rate of interest to purchase and rehabilitate, or build a single-family home on Hawaiian home lands. The 100 percent guarantee provides the incentive for private lenders to market loans to this traditionally underserved population. Private financing is used to cover construction or acquisition costs, while federal dollars are used only to guarantee payment in the event of a default. Eligible borrowers include Native Hawaiian families who are eligible to reside on the Hawaiian home lands, the (State) Department of Hawaiian Home Lands (DHHL), the Office of Hawaiian Affairs, or private non-profit organizations experienced in the planning and development of affordable housing for Native Hawaiians.

3. Justification

This program makes it possible for moderate income Native Hawaiians to access private mortgage capital for acquiring, constructing or rehabbing homes on the Hawaiian home lands. DHHL can also use the program to diversify the type of housing on the home lands by developing housing for homeownership or long-term rentals without affordability restrictions.

The existence of the Hawaiian home lands is a distinctive feature of the housing situation for members of the Native Hawaiian community. The home lands are managed by the State of Hawaii's Department of Hawaiian Home Lands (DHHL) with oversight of the state's management provided by the U.S. Department of the Interior. Hawaii established a homesteading program in 1921 to support the self-sufficiency and well-being of the Native Hawaiian people. These public trust lands are meant to be leased to eligible Native Hawaiian community members for residential, agricultural, and pastoral purposes in homestead communities. However, the trust status of the land prevented most lenders from providing mortgages, as trust land cannot be used as collateral. The Native Hawaiian Loan Guarantee program (Section 184A) addresses this problem by providing a 100 percent guarantee to lenders in cases of default.

Native Hawaiian Loan Guarantee Fund (Section 184A)

The program maximizes a minimal federal investment by expanding the market for lenders and ensuring access to private-market mortgages for a traditionally underserved population.

In fiscal year 2017, HUD issued 67 loan guarantee certificates, representing more than $15 million in mortgage loans. Since program activity began in fiscal year 2005, through September 30, 2017, 599 loans for more than $146 million have been guaranteed. In 2010, there were 6,150 Native Hawaiian households (families) on the home lands, and, as of 2013, there were 14,350 households on the waiting list for a home lands lease[1].

Rates of overcrowding on the Hawaiian home lands is higher than rates for Native Hawaiians state-wide. During the 2006-2010 period, about 19 percent of home land households were overcrowded, compared with 15 percent of Native Hawaiian households statewide. There is widespread agreement that more homes are needed to relieve overcrowding and homelessness for this population.

General Provisions

The President's Budget proposes the following General Provision for the Native Hawaiian Loan Guarantee Fund account:

- Authority to get indemnification from lenders participating in the direct loan guarantee program, and to allow lenders to be terminated from the program. Lenders participating in the Section 184A direct loan guarantee program are able to underwrite loans for closing without prior HUD review. When lenders close loans that do not comply with the Section 184A requirements, this proposal would give HUD the option of requiring them to indemnify HUD for any losses suffered. This proposal would also allow lenders to be terminated from the program if it is determined that they pose an unacceptable risk to the program. This proposal gives this program authority that is critical in FHA programs, and will help reduce risk to the program by providing HUD with a remedy in cases where lenders do not originate or underwrite mortgage loans in accordance with program requirements and guidelines. (Sec. 248)

- Rescission of $5 million of unused loan subsidy: As the Section 184A program has moved to a negative subsidy program, the subsidy appropriated in previous years is no longer needed. HUD proposes to rescind $5 million, leaving a balance of $1 million in case of changing subsidy rates. (Sec. 251)

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[1] Housing Needs of Native Hawaiians: A Report From the Assessment of American Indian, Alaska Native, and Native Hawaiian Housing Needs, May 2017.

https://www.huduser.gov/portal/publications/housing-needs-native-hawaiians.html

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

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Loan Guarantee Credit								
Subsidy	...	$5,926	$5,926	...	...	$5,926	$5,926	...
Total	...	5,926	5,926	...	...	5,926	5,926	...

COMMUNITY PLANNING AND DEVELOPMENT
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
2019 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$356,000	$99,393[a]	...	$455,393	$163,040	$305,524
2018 Annualized CR	356,000	292,353	-$2,418[b]	645,935	526,478	310,630
2019 Request	330,000	119,457	...	449,457	335,653	353,448
Change from 2018	-26,000	-172,896	+2,418	-196,478	-190,825	+42,818

a/ Fiscal year 2017 carryover includes $98,464 of recaptured funds, of which $91,775 is competitive grants and $6,689 is technical assistance.
b/ Public Law 115-56, requires a reduction of 0.6791 percent from the fiscal year 2017 enacted budget authority.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 President's Budget requests $330 million for the Housing Opportunities for Persons With AIDS (HOPWA) program; this is a $23.6 million reduction from the fiscal year 2018 Annualized Continuing Resolution level. The requested funding level enables communities to continue their efforts to prevent homelessness and sustain housing stability for approximately 49,175 economically vulnerable households living with Human Immunodeficiency Virus (HIV) infection, thereby allowing these households to gain access to and remain in medical care, and better adhere to complex treatment regimens, which leads to improved health outcomes and decreased HIV viral loads.

In addition, the Budget requests a general provision that would give communities greater latitude in addressing housing needs for those living with HIV who are homeless or at severe risk of homelessness. The general provision would allow grantee flexibility with the time limits of their HOPWA short-term housing assistance for a period of up to a 24-month maximum, with an ongoing assessment and plan required for any assistance provided beyond 3 months. The current limit for short-term housing as a short term rent, mortgage, utility (STRMU) activity is 21 weeks during a 52-week period, with no mention of assessment or planning; the current short-term housing program also cannot assist individuals who are homeless. Grantees have reported that 21 weeks is often too limited for establishing housing stability for high risk households living with HIV. Most of these households could benefit from a longer assistance time frame that would allow them to reach stability and not return to the short-term assistance cycle in the following year. Also, this change would align the HOPWA short-term program with its counterpart in the Emergency Solutions Grant program (of the Homeless Assistance Grant program) and would alleviate administrative burden for common grantees.

Key HOPWA Program Outcomes:

- 24,264 Permanent Supportive Housing households: Continual support and sustaining of these households with tenant-based rental assistance and facility-based housing, the latter of whom face significant health and life challenges that impede their ability to live independently.
- Transitional/Short-Term Housing households: Continual support and sustaining of these households with homeless prevention efforts through the provision of STRMU assistance and transitional/short-term housing facilities in coordination with local homeless Continuum of Care efforts to prevent and end homelessness.
- Supportive Services and Case Management: Continual provision of critical supportive services (e.g., housing case management, mental health, substance abuse, employment training) that sustain housing stability, promote better health outcomes, and increase quality of life, which promotes self-sufficiency efforts for those able to transition to the unsubsidized private housing market.
- Housing stability: Ninety-five percent of households receiving long-term assistance in fiscal year 2017 achieved housing stability, and 68 percent of client households receiving transitional housing support maintained their housing stability or had reduced risks of homelessness.

2. Request

Program Description and Key Functions

The AIDS Housing Opportunity Act, 42 U.S.C. 12901-12912, authorizes HOPWA (HIV/AIDS Housing, HUD program web link) to provide housing assistance and supportive services to low-income persons living with HIV/AIDS (PLWHA). HIV is a chronic and communicable disease that can be manageable, but for those living in poverty and without access to suitable housing the management of this complex disease is difficult. The assistance provided by HOPWA helps ensure that the most vulnerable PLWHA gain and maintain housing, along with access to medical and other supports required to manage HIV. HOPWA resources provide communities with rental assistance; operating costs for housing facilities; short-term rent, mortgage, and utility payments; permanent housing placement and housing information services; along with supportive services and case management.

HOPWA funding is awarded annually through formula allocations and competitive awards to plan, develop, and fund supportive housing options that address community needs and priorities. Recipients of HOPWA funds include units of local government, states, and local non-profit organizations. The delivery of supportive housing requires a partnership between HOPWA grantees and project sponsors who consist of local networks of non-profit, faith-based, and housing and homeless organizations that link beneficiaries to medical services and other related services.

Formula funds. Ninety percent of funding is allocated to qualifying States and metropolitan areas under a statutory formula based on living HIV and AIDS cases, and poverty and local housing cost factors. Public Law 114-201, enacted in 2016, modernized the HOPWA formula to better reflect current trends in the HIV epidemic by basing the formula on persons living with HIV/AIDS instead of "cumulative AIDS cases," and incorporating local housing costs and poverty rates in to the formula. In accordance with the law, changes in the formula distribution began with fiscal year 2017, to be phased in over 5 years with annual stop-loss caps (no award is 5 percent less or 10 percent more than the share of the total available formula funds that the grantee received in the preceding fiscal year) to avoid highly volatile shifts in either direction for any one jurisdiction. Fiscal year 2019 is the third year of the stop-loss provision. All prior awarded grantees remain eligible for formula allocations, and new allocations may be awarded to States and metropolitan areas that become eligible based on a population of at least 500,000 and with at least 2,000 cases of persons living with HIV/AIDS. The formula provides that 75 percent of funds given to an area is based on the amount the area contributes to the total number of people living with HIV and AIDS in the USA. The remaining 25 percent is awarded based on factors of poverty and local housing costs. The new formula is reflective of the nation's current HIV epidemic; the epidemic has shifted to rural, southern states with fewer new infections occurring in the large urban centers most affected by HIV/AIDS in the 1990s. Most rural and southern states and communities are experiencing gains because of the modernized HOPWA formula, as the funding becomes more equitably based on living HIV cases.

The Department has implemented a multi-phased technical assistance effort to address formula modernization at the community level. The Office of HIV/AIDS Housing evaluated HOPWA formula jurisdictions to develop a list of "Highly Impacted Modernization HOPWA Communities." In selecting grantees for this list, the office analyzed not only formula projections, but also expenditure and performance reporting data. Phases one and two of technical assistance involved increasing grantee understanding of the law requiring formula changes, presenting projection scenarios, and providing direct contact with grantees regarding stop-loss year projections and shifts of funding. Phase three of the technical assistance, a modernization clinic, occurred in August. At the clinic, HUD led in-depth discussions with highly-impacted grantees regarding each community's unique situation and future technical assistance needs. Also, the office unveiled an impact assessment tool designed to help communities develop local strategies in addressing modernization changes. Phase four of the modernization technical assistance will begin after grantee communities complete the impact assessment tool; the next phase will include one-on-one direct support for each of the highly-impacted communities.

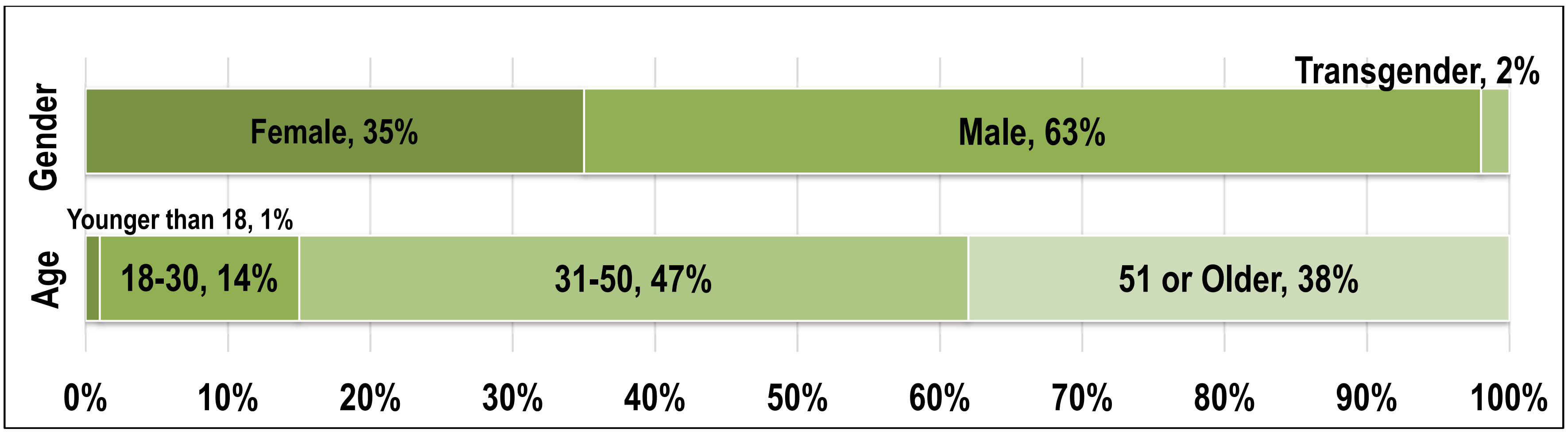
All efforts to implement HOPWA modernization have been driven by HUD's goals of: (1) no one should become homeless as a result of HOPWA modernization, (2) all funding should appropriately expended with no HOPWA formula funding returned to the Treasury, and (3) local project design should meet the changing needs of the modern HIV epidemic, with the goal of positive health outcomes and achieving viral suppression for HOPWA-assisted households. Although current work is focused on communities expected to experience the most significant gains and losses, the tools and products created for use in this effort will be posted on-line for use by all HOPWA communities.

Competitive funds. Ten percent of funds is awarded as competitive grants to areas to support innovative model projects that address special issues or populations through the award of "Special Projects of National Significance." The current portfolio consists of 82 competitive renewal grants, which operate on a 3-year grant cycle. HOPWA's appropriations account language requires HUD to prioritize funding of expiring permanent supportive housing grants. An estimated 25 permanent supportive housing grants expiring in fiscal year 2019 will be eligible for renewed funding.

Who We Serve

The HOPWA program is targeted to serve a subpopulation of individuals and families living with a chronic health condition who live in poverty and confront challenging life circumstances that inhibit and restrict their ability to obtain affordable housing. HOPWA program beneficiaries are primarily extremely-low to very-low income: 76 percent of HOPWA assisted households are extremely low-income, meaning household income is less than 0-30 percent Area medium income (AMI); 16 percent of HOPWA-assisted households are in the very low-income range, meaning the household income is 30-50 percent of AMI. An additional 8 percent are low-income, with household income at 50-80 percent of the AMI.

Age and Gender of HOPWA Eligible Individuals



Gender of HOPWA Eligible Individuals in 2017: Female is 35%; Male is 63%; and Transgender is 2%. Age of HOPWA Eligible Individuals: Younger than 18 is 1%; 18-30 years is 14%; 31-50 years old is 47%; and 51 years and older is 38%.

Key Partnerships and Stakeholders

The Office of HIV/AIDS Housing is involved in multi-year collaboration projects with the Health Resources and Services Administration (HRSA) HIV/AIDS Bureau, with investment of resources from that Secretary's Minority AIDS Initiative Fund (SMAIF). One of these collaborative projects seeks to improve service coordination, housing stability, and health outcomes for persons living with HIV/AIDS via integrated data systems between Ryan White HIV/AIDS program recipients and HOPWA providers. Another collaborative project focuses on operationalizing the *Getting to Work* employment training curriculum to support the design, implementation, and evaluation of innovative interventions that coordinate HIV primary care, housing services, and employment services in communities to improve health outcomes for people living with HIV. In addition, HUD continues its joint demonstration project with the Department of Justice, to address the intersection of HIV, intimate partner violence, and housing instability by providing transitional and other temporary rental housing assistance and supportive services to low-income persons living with HIV who are homeless or in need of housing assistance due to sexual assault, domestic violence, or stalking.

3. Justification

Persons living with HIV/AIDS are highly vulnerable to homelessness, and those who are homeless or unstably housed have been shown to be more likely to demonstrate frequent and prolonged use of high-cost hospital-based emergency or inpatient services, as compared to persons living with HIV/AIDS who are stably housed.[1] Studies have shown that approximately half of all persons diagnosed with HIV will face homelessness or experience an unstable housing situation at some point over the course of their illness.[2] The greatest opportunities for increasing the percentage of persons with a suppressed viral load are reducing undiagnosed HIV infections and increasing the percentage of persons living with HIV who are engaged in care. Helping others achieve these optimal results requires many actions for which stable housing serves as a base, including access to and retention in HIV treatment and quality care and other support.

Figure 1: Evidence-Based Findings on HIV and Housing

1. **Need**: Persons with HIV are significantly more vulnerable to becoming homeless during their lifetime.
2. **HIV Prevention**: Housing stabilization is linked to reduced risk behaviors and reduced risk of spreading the virus.
3. **Improved treatment adherence and health**: Homeless persons with AIDS provided HOPWA housing support demonstrated improved medication adherence and health outcomes.
4. **Reduction in HIV transmission**: Stably housed persons demonstrated reduced viral loads resulting in significant reduction in HIV.
5. **Cost savings**: Homeless or unstably housed people living with HIV (PLWH) are more frequent users of high-cost hospital-based emergency or inpatient service, shelters and criminal justice system.
6. **Discrimination and stigma**: AIDS-related stigma and discrimination add to barriers and disparities in access to appropriate housing and care along with adherence to HIV treatment.

The HOPWA statute provides unique authority to allow projects to target housing interventions to a special needs population and to serve as a bridge in coordinating access to other mainstream support, such as HIV services provided under Ryan

White CARE Act and other human services programs. HOPWA data shows that 95 percent of persons in its permanent supportive housing programs have a stable outcome. Research conducted by the AIDS Foundation of Chicago has shown that homeless persons living with AIDS had significantly improved medication adherence, health outcomes, and viral loads when provided with HOPWA housing assistance, as compared to persons who remained homeless or unstably housed.[3]

Housing status is among the strongest predictors of maintaining continuous HIV primary care, receiving care that meets clinical practice standards and returning to HIV care after dropout. HOPWA program evaluation results show high levels of participant connection to care, with 92 percent of households served during the fiscal year 2017 program year, compared to 86 percent during the fiscal year 2014 program year, engaged in ongoing primary health care. Multiple studies have found lack of stable housing to be one of the most significant factors limiting the use of antiretrovirals (ARVs), regardless of insurance. Housing interventions improve stability and connection to care providing the essential foundation for participating in ARV treatment and achieving an undetectable viral load which prevents the spread of HIV.

Homelessness is known to increase the probability that a person will engage in sexual and drug-related risk behaviors that put themselves and others at heightened risk for HIV. Stable housing reduces an individual's risk of contracting HIV and of transmitting the virus to others. One study showed, for example, that among persons living with HIV, an improved housing situation led to reduced drug-related and sexual risk behaviors by as much as 50 percent, while those whose housing status worsened increased their risk behaviors.[4] In addition, people with HIV who have access to stable housing are more likely to receive and adhere to antiretroviral medications, which lower viral load and reduce the risk of HIV transmission.[5] A study published in May 2011 by the National Institutes of Health found that persons who begin antiretroviral treatment at an earlier stage of disease are 96 percent less likely to transmit the infection than those who begin treatment later.[6]

The HUD-CDC joint *Housing and Health* study was a multi-site randomized trial undertaken to examine the health, housing, and economic impacts of providing HOPWA assistance to homeless and unstably housed persons living with HIV/AIDS. As published in peer-reviewed journals in recent years, findings from the study demonstrated that HOPWA housing assistance serves as an efficient and effective platform for improving the health outcomes of persons living with HIV/AIDS and their families.[7] The Housing and Health study of HOPWA and other supportive housing programs for PLWHA found that housing was associated with 41 percent fewer visits to emergency departments, a 23 percent reduction in detectable viral loads, and a 19 percent reduction in unprotected sex with partners whose HIV status was negative or unknown.[8]

<u>Stable Housing Equals Cost-Benefit Savings</u>

Stable housing is one of the most cost-effective strategies for driving down national HIV/AIDS costs. The number of persons living with HIV in the United States continues to grow annually. Estimates put the annual direct costs of HIV medications at between $17,000 and $41,000 per person per year, depending on the severity of an individual's infection.[9] Lifetime treatment costs per person are estimated to be $415,000.[10]

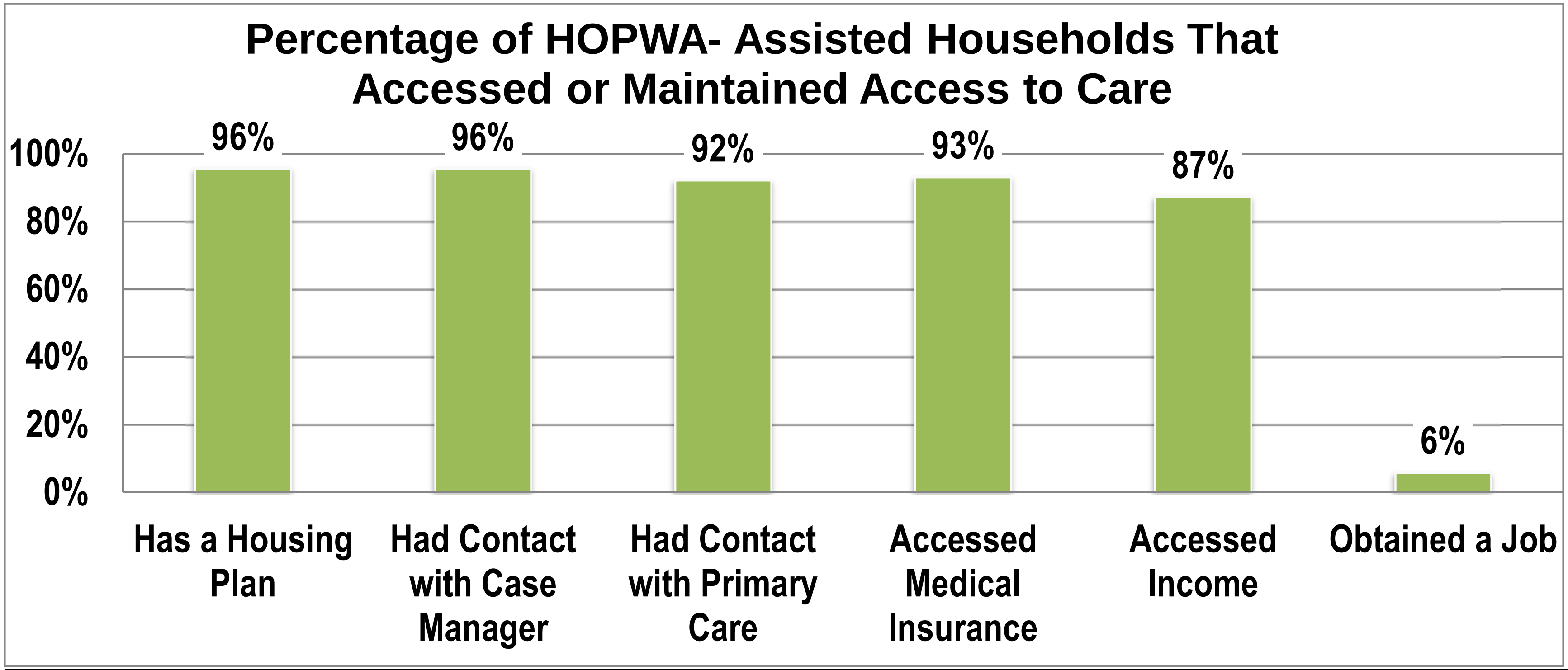
Research conducted by the AIDS Foundation of Chicago has shown that homeless persons living with AIDS had significantly improved medication adherence, health outcomes, and viral loads when provided with HOPWA housing assistance, as compared to persons who remained homeless or unstably housed. Moreover, substantial cost savings were achieved by reducing emergency care and nursing services for this population.[11] HOPWA assistance is a simple way to safeguard the national investment in HIV care.

By investing in the provision of affordable supportive housing, HOPWA grantees demonstrate that 95 percent of those receiving permanent supportive housing are stably housed. Housing stabilization can lead to reduced risk behavior and reduced HIV transmission, a significant consideration for federal HIV prevention efforts. It is estimated that preventing approximately 40,000 new HIV infections in the United States each year would avoid expending $12.1 billion annually in future HIV-related medical costs, assuming the current standard of care.[12] National progress is being made on HIV prevention. The number of annual HIV infections in the United States fell 18 percent between 2008 and 2014 — from an estimated 45,700 to 37,600.[13]

HOPWA also serves as a supportive housing intervention, and adds to the stock of available permanent supportive housing to address the needs of homeless and at-risk households. The program demonstrates results that are similar to activities undertaken by HUD's homeless assistance programs. Research shows this population uses $40,051 in public services before placement; after placement, the savings is estimated at $12,146 per placement in housing.[14] HOPWA-funded supportive housing continues to demonstrate that housing stability equates to better health outcomes for those living with HIV. Positive client health outcomes include entry into and retention in care and continuing adherence to complex HIV treatment regimens results in reduced HIV transmission and healthier people.

Program Outcomes

On a national level, the program demonstrates improved program beneficiary outcomes with respect to access to care and support resulting in a foundation for increased housing stability and better health outcomes. Ninety-five percent of clients receiving tenant-based rental assistance and 94 percent placed in a permanent housing facility achieved housing stability in fiscal year 2017. Sixty-eight percent of clients receiving transitional or short-term housing facilities assistance and 47 percent receiving STRMU assistance achieved housing stability in fiscal year 2017.



Access to Care and Support in 2017: Percent of Households that have a Housing Plan: 96%; Percent of Households that have had Contact with a Case Manager: 96%; Percent of Households that have had Contact with a Primary Care Provider: 92%; Percent of Households that Accessed or Maintained Medical Insurance: 93%; Percent of Households that Accessed or Maintained Income: 87%; Percent of Households that Obtained a Job: 6%.

Housing Opportunities for Persons With AIDS

The chart below reflects estimated distribution of HOPWA formula funds to grantees.

State	Eligible	2017 Formula Actual	2018 Formula Estimate	2019 Formula Estimate
AL	Birmingham	$1,098,294	$1,172,852	$1,139,558
AL	Alabama	$1,744,315	$1,862,728	$1,809,850
AR	Little Rock	$387,161	$413,444	$401,707
AR	Arkansas	$636,976	$680,217	$660,907
AZ	Phoenix	$2,099,910	$2,242,463	$2,178,805
AZ	Tucson	$520,326	$555,648	$539,875
AZ	Arizona	$273,229	$291,777	$283,494
CA	Bakersfield	$438,169	$467,914	$454,631
CA	Fresno	$441,305	$471,263	$457,885
CA	Anaheim	$1,755,395	$1,874,560	$1,821,346
CA	Los Angeles	$15,610,951	$16,609,652	$16,095,799
CA	Riverside	$2,284,083	$2,439,138	$2,369,897
CA	Sacramento	$1,039,607	$1,110,181	$1,078,666
CA	San Diego	$3,254,285	$3,475,203	$3,376,551
CA	Oakland	$2,503,168	$2,673,096	$2,597,214
CA	San Francisco	$7,157,222	$6,753,186	$6,087,940
CA	San Jose	$999,261	$1,067,096	$1,036,804
CA	Santa Rosa	$413,489	$408,372	$392,370
CA	California	$2,962,451	$3,163,558	$3,073,753
CO	Denver	$1,780,690	$1,901,573	$1,847,592
CO	Colorado	$501,302	$535,333	$520,136
CT	Bridgeport	$907,156	$903,633	$869,110
CT	Hartford	$1,127,849	$1,081,935	$1,035,866
CT	New Haven	$1,034,296	$1,015,330	$974,836
CT	Connecticut	$235,613	$232,563	$223,435
DC	District of Columbia	$11,213,151	$10,580,152	$9,608,252
DE	Wilmington (DE+MD Portion)	$725,614	$728,524	$701,344
DE	Delaware	$238,736	$254,943	$247,706

Housing Opportunities for Persons With AIDS

State	Eligible	2017 Formula Actual	2018 Formula Estimate	2019 Formula Estimate
FL	Cape Coral	$474,753	$506,982	$492,590
FL	Deltona	$436,914	$466,574	$453,329
FL	Jacksonville	$2,644,134	$2,494,869	$2,212,049
FL	Lakeland	$614,808	$618,161	$595,198
FL	Ft Lauderdale	$7,204,649	$6,797,936	$6,027,316
FL	Miami	$11,672,111	$11,013,203	$9,764,737
FL	West Palm Beach	$3,255,299	$3,071,533	$2,723,341
FL	Sarasota	$518,026	$547,108	$529,749
FL	Orlando	$3,737,246	$3,621,584	$3,471,695
FL	Palm Bay	$385,489	$408,564	$395,755
FL	Port St Lucie	$658,585	$628,916	$601,799
FL	Tampa	$3,855,626	$3,644,107	$3,482,486
FL	Florida	$3,857,580	$3,806,604	$3,657,071
GA	Atlanta	$23,085,738	$21,782,515	$19,313,230
GA	Augusta-Richmond County	$1,058,968	$999,188	$885,919
GA	Georgia	$2,683,787	$2,865,976	$2,784,618
HI	Honolulu	$501,094	$535,111	$519,921
HI	Hawaii	$237,063	$243,958	$235,528
IA	Iowa	$496,076	$529,752	$514,714
IL	Chicago	$7,953,540	$8,493,468	$8,252,360
IL	Illinois	$1,355,481	$1,447,498	$1,406,407
IN	Indianapolis	$1,106,921	$1,182,065	$1,148,509
IN	Indiana	$1,103,995	$1,178,940	$1,145,473
KS	Kansas	$452,803	$483,542	$469,815
KY	Louisville	$668,960	$714,372	$694,093
KY	Kentucky	$618,580	$660,572	$641,820
LA	Baton Rouge	$2,575,232	$2,429,856	$2,154,405
LA	New Orleans	$3,888,841	$3,669,310	$3,253,354
LA	Louisiana	$1,538,818	$1,643,281	$1,596,632
MA	Boston	$2,285,329	$2,440,469	$2,371,190

Housing Opportunities for Persons With AIDS

State	Eligible	2017 Formula Actual	2018 Formula Estimate	2019 Formula Estimate
MA	Lowell	$1,250,538	$1,335,431	$1,297,522
MA	Springfield	$516,772	$551,853	$536,187
MA	Worcester	$518,445	$553,640	$537,924
MA	Massachusetts	$242,707	$259,183	$251,825
MD	Baltimore	$8,411,433	$7,936,595	$7,036,896
MD	Frederick	$1,369,135	$1,379,196	$1,328,256
MD	Maryland	$460,956	$489,701	$474,472
MI	Detroit	$2,721,421	$2,567,793	$2,442,515
MI	Warren	$603,737	$644,722	$626,420
MI	Michigan	$1,243,640	$1,328,065	$1,290,365
MN	Minneapolis	$1,202,248	$1,283,863	$1,247,417
MN	Minnesota	$175,184	$187,076	$181,765
MO	Kansas City	$1,253,466	$1,338,558	$1,300,560
MO	St Louis	$1,610,733	$1,720,078	$1,671,249
MO	Missouri	$619,625	$661,688	$642,904
MS	Jackson	$1,452,270	$1,370,287	$1,214,950
MS	Mississippi	$1,159,602	$1,238,322	$1,203,169
NC	Charlotte	$2,362,276	$2,384,694	$2,297,187
NC	Durham	$335,316	$358,079	$347,914
NC	Greensboro	$370,437	$395,584	$384,354
NC	Wake County	$632,377	$675,306	$656,136
NC	North Carolina	$2,504,422	$2,674,435	$2,598,515
NE	Nebraska	$422,073	$450,726	$437,931
NJ	Newark	$5,863,058	$5,532,080	$4,904,959
NJ	Camden	$817,387	$872,875	$848,096
NJ	Paterson	$1,511,657	$1,516,145	$1,459,401
NJ	Jersey City	$2,420,486	$2,283,846	$2,024,947
NJ	New Jersey (With Allentown & Wilmington Portion)	$1,366,352	$1,415,929	$1,368,088
NM	Albuquerque	$382,771	$408,755	$397,151

Housing Opportunities for Persons With AIDS

State	Eligible	2017 Formula Actual	2018 Formula Estimate	2019 Formula Estimate
NM	New Mexico	$330,717	$353,168	$343,142
NV	Las Vegas	$1,338,549	$1,429,417	$1,388,840
NV	Nevada	$288,698	$308,296	$299,544
NY	Albany	$562,763	$600,966	$583,906
NY	Buffalo	$635,722	$678,878	$659,606
NY	Islip Town (Switches to Brookhaven 2018)	$1,971,873	$1,968,887	$1,894,198
NY	New York City	$44,197,111	$41,702,119	$37,415,440
NY	Rochester	$785,820	$839,166	$815,344
NY	Syracuse	$333,853	$356,517	$346,396
NY	New York	$2,482,680	$2,470,307	$2,375,617
OH	Cincinnati	$791,673	$845,416	$821,417
OH	Cleveland	$1,096,050	$1,170,456	$1,137,230
OH	Columbus	$979,401	$1,045,888	$1,016,198
OH	Dayton	$334,899	$357,634	$347,482
OH	Ohio	$1,136,606	$1,213,765	$1,179,309
OK	Oklahoma City	$620,252	$662,358	$643,555
OK	Tulsa	$411,829	$439,786	$427,302
OK	Oklahoma	$289,116	$308,743	$299,979
OR	Portland	$1,244,058	$1,328,511	$1,290,798
OR	Oregon	$441,515	$471,487	$458,103
PA	Allentown (PA Portion Only)	$337,825	$360,758	$350,517
PA	Harrisburg	$337,617	$360,536	$350,301
PA	Bensalem Township	$597,257	$637,802	$619,696
PA	Philadelphia	$7,370,610	$6,954,528	$6,356,313
PA	Pittsburgh	$837,664	$894,529	$869,136
PA	Pennsylvania	$1,499,308	$1,601,089	$1,555,638
PR	San Juan Municipio	$6,230,453	$5,878,735	$5,212,317
PR	Puerto Rico	$1,979,243	$1,918,609	$1,839,275

Housing Opportunities for Persons With AIDS

State	Eligible	2017 Formula Actual	2018 Formula Estimate	2019 Formula Estimate
RI	Providence	$1,000,724	$1,068,658	$1,038,322
SC	Charleston	$566,735	$605,208	$588,028
SC	Columbia	$1,315,706	$1,325,924	$1,277,014
SC	Greenville	$420,190	$448,715	$435,977
SC	South Carolina	$1,610,733	$1,720,078	$1,671,249
TN	Memphis	$3,545,213	$3,345,081	$2,965,880
TN	Nashville-Davidson	$1,073,473	$1,146,346	$1,113,804
TN	Tennessee	$1,097,514	$1,172,019	$1,138,748
TX	Austin	$1,296,948	$1,384,992	$1,345,676
TX	Dallas	$6,470,345	$6,265,332	$6,005,465
TX	Fort Worth	$1,176,535	$1,256,404	$1,220,738
TX	El Paso	$435,033	$464,565	$451,377
TX	Houston	$9,731,610	$9,182,247	$8,584,893
TX	San Antonio	$1,417,988	$1,514,248	$1,471,262
TX	Texas	$3,455,809	$3,690,407	$3,585,646
UT	Salt Lake City	$416,846	$445,144	$432,508
UT	Utah	$174,766	$186,630	$181,332
VA	Richmond	$926,929	$989,854	$961,755
VA	Virginia Beach	$1,345,472	$1,436,810	$1,396,023
VA	Virginia	$849,580	$907,254	$881,499
WA	Seattle	$2,032,386	$2,170,355	$2,108,744
WA	Washington	$843,936	$901,227	$875,643
WI	Milwaukee	$678,786	$724,866	$704,289
WI	Wisconsin	$542,067	$578,865	$562,433
WV	West Virginia	$400,540	$427,731	$415,589
Total Formula		**$320,400,000**	**$318,224,164**	**$297,000,000**
Total Competitive		**$35,600,000**	**$35,358,240**	**$33,000,000**
Total HOPWA		**$356,000,000**	**$353,582,404**	**$330,000,000**

General Provisions

The Budget proposes the following General Provision for the Housing Opportunities for Persons With AIDS Program:

Expand the provision of short-term housing from 21 weeks to a maximum of 24 months, with a requirement for on-going needs assessment, to provide communities with greater latitude in addressing the housing needs of those living with HIV who are at a severe risk of homelessness. (Sec. 236)

COMMUNITY PLANNING AND DEVELOPMENT
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Formula Grants	$320,400	$89,699	$410,099	$154,849	$318,224	$255,250	$573,474	$297,000
Competitive Grants	35,600	9,687	45,287	8,184	35,358	37,103	72,461	33,000
Technical Assistance ..	...	7	7	7	...	...	...	...
DOJ HOPWA IAA	...	...	...	...	...	...	...	...
Total	356,000	99,393	455,393	163,040	353,582	292,353	645,935	330,000

COMMUNITY PLANNING AND DEVELOPMENT
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
Appropriations Language

The fiscal year 2019 President's Budget includes the appropriation language listed below.

For carrying out the Housing Opportunities for Persons with AIDS program, as authorized by the AIDS Housing Opportunity Act (42 U.S.C. 12901 et seq.), $330,000,000, to remain available until September 30, 2020, except that amounts allocated pursuant to section 854(c)(5) of such Act shall remain available until September 30, 2021: Provided, That the Secretary shall renew all expiring contracts for permanent supportive housing that initially were funded under section 854(c)(3) of such Act (paragraph (3) was redesignated as paragraph (5) by section 701(a)(1) of the Housing Opportunity Through Modernization Act of 2016 (Public Law 114–201)) from funds made available under this heading in fiscal year 2010 and prior fiscal years that meet all program requirements before awarding funds for new contracts under section 854(c)(5) of such Act.

Note.—A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

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COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT FUND
2019 Summary Statement and Initiatives
(Dollars in Thousands)

COMMUNITY DEVELOPMENT FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$3,060,000	$8,022,573	$9,605,976[a]	$20,688,549	$10,793,944	$5,616,472
2018 Annualized CR	3,060,000	9,894,488	-30,780[b]	12,923,708	5,508,825	7,094,141
2019 Request	...	7,414,999	...	7,414,999	7,405,500	8,003,620
Change from 2018	-3,060,000	-2,479,489	+30,780	-5,508,709	+1,896,675	+909,479

a/ $9.6 billion was enacted in P.L. 114-254 ($1.8 billion), 115-31 ($400 million), and 115-56 ($7.4 billion) for disaster recovery. P.L. 114-254 allowed the transfer of $3 million for salaries and expenses for disaster related expenses.

b/ P.L. 115-56 requires a reduction of 0.6791 percent from the fiscal year 2017 enacted budget authority. An additional $10 million was transferred for salaries and expenses per P.L. 115-56 for disaster related expenses.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The fiscal year 2019 President's Budget does not request funding for the Community Development Block Grant (CDBG) or Indian Community Development Block Grant (ICDBG) programs, a savings of roughly $3 billion from the fiscal year 2018 Annualized CR level.

CDBG. Since 1974, the CDBG Program has provided formula grants to States and units of general local government to develop viable communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons. CDBG funds are used for a range of activities from municipal infrastructure projects, to housing rehabilitation, to public services. The Budget proposes devolving community and economic development activities to the State and local level, and redirects Federal resources to higher priority activities.

ICDBG. This program provides grants to American Indian and Alaska Native Communities to help develop decent housing, a suitable living environment, and economic opportunities, primarily for low- and moderate-income persons. The 2019 Budget does not request funding for ICDBG, which duplicates HUD's larger Native American Housing Block Grant program and other Federal programs, and redirects the savings to higher priority areas.

Prior year supplemental appropriations relying on the CDBG program and overseen by HUD staff include CDBG-disaster recovery ($17 billion unexpended as of December 31, 2017 in open grants since 2002 with most of that balance related to more recent appropriations and another $8 billion in unobligated balances as of December 31, 2017, primarily from supplemental appropriations in September 2017) and the Neighborhood Stabilization Program (with approximately $200 million unexpended in open grants as of December 31, 2017). Several CDBG-DR grants in the existing portfolio are likely to remain open through fiscal year 2024. HUD is working to close out NSP grants and will continue to oversee projects assisted with NSP grant funds until the end of their required affordability and land bank wind-down periods.

The Department will continue to administer the CDBG program until all existing grant funds (including Disaster Recovery funds) are disbursed, program income and real property are accounted for, required benefits are documented, and grants are closed.

COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT FUND
SUMMARY OF RESOURCES BY PROGRAM
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Entitlement/Non-Entitlement	$2,993,000	$789,131	$3,782,131	$1,928,397	$2,972,627	$1,849,421	$4,822,048	...
Insular Area CDBG Program	7,000	7,000	14,000	...	7,000	7,000	14,000	...
Indian Tribes	60,000	4,135	64,135	61,824	59,593	2,928	62,521	...
Special Purpose (Section 107) Grants	...	535	535	...	...	336	336	...
Administration, Operations, and Management for Disasters	...	...	...	...	...	...	...	...
Economic Development Initiative Grants	...	327	327	...	...	177	177	...
Economic Resilience	...	15	15	...	...	15	15	...
Disaster Assistance	9,605,976	7,221,268	16,827,244	8,803,701	-10,000	8,034,469	8,024,469	...
Section 805 Economic Development training	...	162	162	22	...	142	142	...
Total	12,665,976	8,022,573	20,688,549	10,793,944	3,029,220	9,894,488	12,923,708	...

HOME INVESTMENT PARTNERSHIPS PROGRAM
2019 Summary Statement and Initiatives
(Dollars in Thousands)

HOME INVESTMENT PARTNERSHIPS PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$950,000	$236,318[a]	...	$1,186,318	$572,308	$1,104,236
2018 Annualized CR	950,000	614,010	-$6,451[b]	1,557,559	1,405,883	937,711
2019 Request	...	151,676	...	151,676	150,666	937,146
Change from 2018	-950,000	-462,334	+6,451	-1,405,883	-1,255,217	-565

a/ This number includes $4.458 million of funds recaptured in fiscal year 2017, of which $3.965 million is grants, $490 thousand is technical assistance, and $3 thousand is Management Information Systems funds.
b/ Public Law 115-56 requires a reduction of 0.6791 percent from the fiscal year 2017 enacted budget authority.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The fiscal year 2019 Budget does not request funding for the HOME Investment Partnerships Program. Stagnant incomes, complex housing market dynamics, including local land use, zoning, and other regulations that create barriers to housing development, all contribute to significant housing cost burden for households across the country, especially for lower income families. Further exacerbating this problem is the current fragmented, overlapping, and inefficient system for funding affordable housing production, as well as challenges to measuring collective performance. Many of these issues cannot be solved by the federal government or the subsidization of housing construction alone. Therefore, the Department devolves affordable housing activities to state and local governments who are better positioned to comprehensively address the array of unique market challenges, local policies, and impediments that lead to housing affordability problems.

The Department will continue to administer the program until all existing grant funds are disbursed and closed, and will oversee projects assisted with HOME grant funds until the end of their regulatory affordability periods.

Since 1992, the HOME program has provided formula grants to State and units of general local governments to acquire, rehabilitate and construct affordable housing and provide rental assistance for low- and very low-income households. As of December 2017, there are $2.8 billion of undisbursed HOME funds from fiscal year 2017 and earlier grants. Fiscal year 2017 grant funds are available for expenditure until September 30, 2025. There are approximately 9,650 rental projects containing 200,466 units, and 24,505 homebuyer projects that are currently under compliance agreements. In addition, there are approximately 9,000 projects underway that will be placed in service over the next several years. HOME projects have compliance periods during which affordability requirements must be met for as long as 20 years from the date of project completion.

COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Formula Grants	$948,100	$235,381	$1,183,481	$570,070	$941,662	$613,411	$1,555,073	...
Insular Areas	1,900	...	1,900	1,900	1,887	...	1,887	...
HOME/CHDO Technical Assistance	...	592	592	...	...	592	592	...
Management Information Systems	...	341	341	338	...	3	3	...
Housing Counsel	...	4	4	...	...	4	4	...
Total	950,000	236,318	1,186,318	572,308	943,549	614,010	1,557,559	...

NOTE: The 2016 Carryover Into 2017 column includes approximately $3.965 million in grants funds, $490 thousand in technical assistance, and $3 thousand of Management Information Systems funds recaptured in fiscal year 2017.

COMMUNITY PLANNING AND DEVELOPMENT
SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM
2019 Summary Statement and Initiatives
(Dollars in Thousands)

SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$54,000	$55,700	...	$109,700	$50,000	$44,318
2018 Annualized CR	54,000	59,700	-$367[a]	113,333	53,700	47,202
2019 Request	...	59,633	...	59,633	54,000	53,123
Change from 2018	-54,000	-67	+367	-53,700	+300	+5,921

a/ Public Law 115-56 requires a reduction of 0.6791 percent from the fiscal year 2017 enacted budget authority.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Self-Help Homeownership Opportunity Program (SHOP) account includes funding for SHOP, Capacity Building for Community Development and Affordable Housing (known as Section 4), rural capacity building, and a pilot home modification and rehabilitation program for disabled and low-income veterans. Stagnant incomes and complex housing market dynamics, including local land use, zoning, and other regulations that create barriers to housing development, all contribute to significant housing cost burden for households across the country, especially for lower income families. Further exacerbating this problem is the current fragmented, overlapping, and inefficient system for funding affordable housing production, as well as challenges to measuring collective performance. Many of these issues cannot be solved by the Federal Government or the subsidization of housing construction alone. Therefore, the Department devolves affordable housing activities to State and local governments who are better positioned to comprehensively address the array of unique market challenges, local policies, and impediments that lead to housing affordability problems.

SHOP. The SHOP program awards grant funds to eligible national and regional non-profit organizations and consortia to purchase home sites and develop or improve the infrastructure for affordable non-luxury housing for low-income persons. As part of the program, homebuyers must be willing to contribute sweat equity toward the construction or rehabilitation of their homes.

Section 4. The Capacity Building for Affordable Housing and Community Development Program, also known as the Section 4 program, was originally authorized under Section 4 of the HUD Demonstration Act of 1993 (42 U.S.C. 9816 note) to enhance the capacity and ability of community development corporations (CDCs) and community housing development organizations (CHDOs) to carry out community development and affordable housing activities that benefit low-income persons.

Rural Capacity Building. The Rural Capacity Building Program awards funds to national organizations to enhance the capacity and ability of local governments, Indian tribes, housing development organizations, rural CDCs, and rural CHDOs to carry out community development and affordable housing activities that benefit low- and moderate-income families and persons in rural areas.

Veterans Housing Rehabilitation and Modification Pilot Program. The Veterans Housing Rehabilitation and Modification Pilot Program awards grants to non-profit veterans service organizations to rehabilitate and modify the primary residence of disabled or low-income veterans. This program is duplicative of Department of Veterans Affairs programs.

COMMUNITY PLANNING AND DEVELOPMENT
SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Self-Help Homeownership Opportunity Program ..	$10,000	$10,000	$20,000	$10,000	$9,932	$10,000	$19,932	...
Capacity Building	35,000	35,000	70,000	35,000	34,762	35,000	69,762	...
Capacity Building for Rural Housing	5,000	5,000	10,000	5,000	4,966	5,000	9,966	...
Veterans Home Rehabilitation and Modification Pilot Program	4,000	5,700	9,700	...	3,973	9,700	13,673	...
Total	54,000	55,700	109,700	50,000	53,633	59,700	113,333	...

COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
2019 Summary Statement and Initiatives
(Dollars in Thousands)

HOMELESS ASSISTANCE GRANTS	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$2,383,000	$2,262,655[a]	...	$4,645,655	$2,217,791	$1,992,046
2018 Annualized CR	2,383,000	2,435,204[b]	-$16,182[c]	4,802,022	2,367,080	2,292,920
2019 Request	2,383,000	2,447,941[d]	...	4,830,941	2,382,919	2,348,677
Change from 2018	...	+12,737	+16,182	+28,919	+15,839	+55,757

a/ This number includes $25.7 million of funds recaptured from prior year obligations in fiscal year 2017.
b/ This number includes $13 million in anticipated fiscal year 2018 recaptures.
c/ Public Law 115-56 requires a reduction of 0.6791 percent from the fiscal year 2017 enacted budget authority.
d/ This number includes $13 million in anticipated fiscal year 2019 recaptures.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The fiscal year 2019 Budget requests $2.383 billion for Homeless Assistance Grants (HAG). This request includes $2.121 billion for the Continuum of Care (CoC) Program, which will allow HUD to continue to serve over 750,000 people experiencing homelessness each year. It also includes a new $40 million effort for rapid re-housing to address the rise in unsheltered homelessness; $255 million for Emergency Solutions Grants (ESG), which supports over 350,000 persons in emergency shelter each year; and $7 million for Homeless Management Information System (HMIS) Technical Assistance through the National Homeless Data Analysis Project.

Homeless Assistance Grants are key to addressing homelessness nationwide, which has declined by 13 percent between 2010 and 2017.[1] HAG funds allow HUD to serve vulnerable individuals and families who are homeless or at-risk of homelessness through a wide variety of service and housing interventions, including homelessness prevention, emergency shelter, rapid re-housing, transitional housing, and permanent supportive housing.

In addition, the fiscal year 2019 Budget includes legislative language to (1) allow CoC grantees to receive one-year transition grants to transition from one CoC program component to another; (2) allow CoC grantees to use program income toward meeting match

[1] Department of Housing and Urban Development. The 2017 Annual Homeless Assessment Report to Congress, Part 1.

requirements; (3) allow recipients greater flexibility in how they apply for rental assistance, including the option to request less than the current Fair Market Rent (FMR); and (4) expand the eligible costs under the CoC program to allow eligible rural communities to apply for some of the costs eligible under the Rural Housing Stability Assistance Program to help increase the capacity and performance of rural communities and to better serve persons experiencing homelessness in rural communities.

2. Request

Emergency Solutions Grants Program ($255 million)

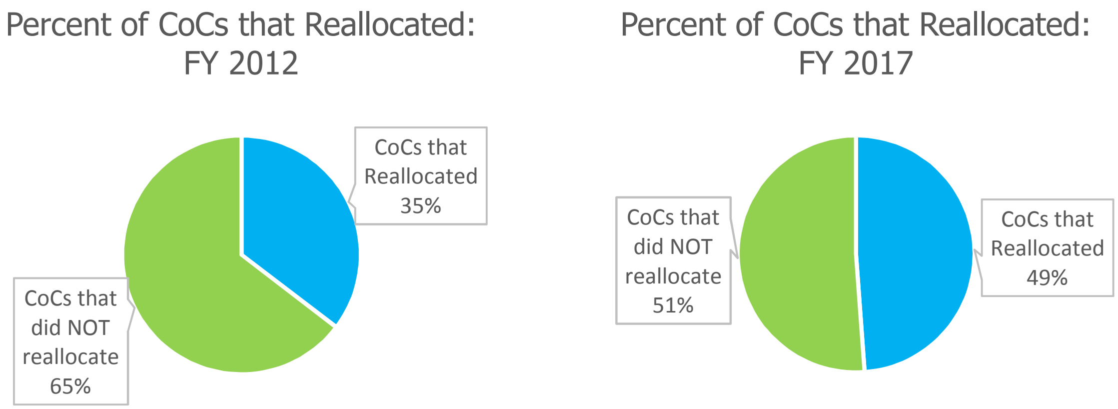
The Emergency Solutions Grants (ESG) program provides the first response to people with a housing crisis and engages people living on the streets. ESG awards funds to over 365 urban counties, metropolitan cities, states, and territories, supporting a variety of life-saving activities including:

- emergency shelter to house people in crisis;
- street outreach and other essential services to engage people who may be living on the streets;
- rapid re-housing to provide time-limited permanent housing and stabilization services; and
- homelessness prevention for individuals and families.

Continuum of Care Program ($2.121 billion)

The Continuum of Care (CoC) program is HUD's largest program targeted to men, women, and children experiencing homelessness. Funds are awarded to over 7,300 projects through a national competition. In the fiscal year 2017 CoC program competition, over 91 percent of those projects were renewals (see description of renewal demand on page 3).

- CoC program funds can be used for rapid re-housing to provide time-limited permanent housing and stabilization services;
- permanent supportive housing for homeless people with disabilities;
- transitional housing to help individuals and families move to stability within 2 years;
- support services to help identify and maintain permanent housing; and
- planning to improve program monitoring, collaboration, and data collection to drive higher performance at the local level.



Policy priorities for the CoC program are focused on preventing and ending homelessness, including ending homelessness for veterans, families, youth, and people experiencing chronic homelessness. The CoC program's competitive funding process encourages applicants to carefully review the performance of each project in its portfolio and reallocate funds from under-performing or under-utilized projects to ones based on proven, data-driven strategies. For fiscal year 2017, HUD is awarding approximately the amount needed to maintain the same level of services after adjusting for increases in rents. Nevertheless, CoCs continue to reallocate funding from renewal projects to create new projects – 49 percent of CoCs reallocated funds in fiscal year 2017. The competitive process also resulted in funds moving from lower performing communities to higher performing ones.

The chart below details the number and type of new and renewal grants in the most recently awarded CoC program competition.

Fiscal Year 2017 Funding Amount
(Dollars in Millions)

	Awarded
Total Projects	7,328
Total Amount ($)	$2,011.3
CoC Planning and UFA Cost Applications	367
CoC Planning and UFA Cost Amount ($)	$54.7
New Applications	541
New Amount ($)	$120.6
Renewal Applications	6,420
Renewal Amount ($)	$1,836.1

Renewal Demand: The estimated renewal demand for each fiscal year is based primarily on three factors: the number of previously renewed grants which are eligible to seek renewal again; the number of new awards made in the prior 1 to 5 years, which are now eligible for renewal for the first time; and increases based on Fair Market Rent (FMR) updates.

HUD estimates renewal requirements within a range, to accommodate the uncertain percentage of projects that will need renewal. The following chart details HUD's 5-year estimates of renewal demand.

Fiscal Year	**Estimated Renewal Need**		
2018	$2,058,180,904	-	$2,142,188,288
2019	$2,113,040,605	-	$2,221,401,661
2020	$2,136,961,875	-	$2,269,145,084
2021	$2,189,325,074	-	$2,324,747,244
2022	$2,230,061,459	-	$2,368,003,405
2023	$2,271,973,906	-	$2,412,508,374

Technical Assistance: CoC funds also support Technical Assistance (TA), which helps communities improve their homeless assistance. HUD uses TA resources to:

- develop and provide guidance to communities on critical compliance issues;
- work directly with communities to develop strategic plans and action steps to improve project and community level performance;
- develop tools and provide direct assistance to improve data collection and reporting to HUD; and
- increase the overall capacity of grantees to understand their own markets and manage their portfolios successfully.

Rapid Re-Housing

Between January 2016 and January 2017, there was an estimated 9 percent increase in unsheltered homelessness nationwide. To address this rise in unsheltered homelessness, the Budget request proposes a new $40 million initiative to provide rapid re-housing in communities with high numbers of unsheltered persons. Communities will be selected based on need, performance, and the quality of their strategies to reduce unsheltered homelessness. Rapid re-housing will provide the following:

- Housing search, including assistance with locating low-cost housing and negotiating with property managers;
- Financial assistance such as application fees, rent and utility deposits, and short- or medium-term rental assistance; and
- Supportive services to improve housing stability, including employment assistance and case management.

The initiative's rapid re-housing resources will be closely integrated with the CoC and ESG programs and local public and private efforts to reduce homelessness.

National Homeless Data Analysis Project ($7 million)

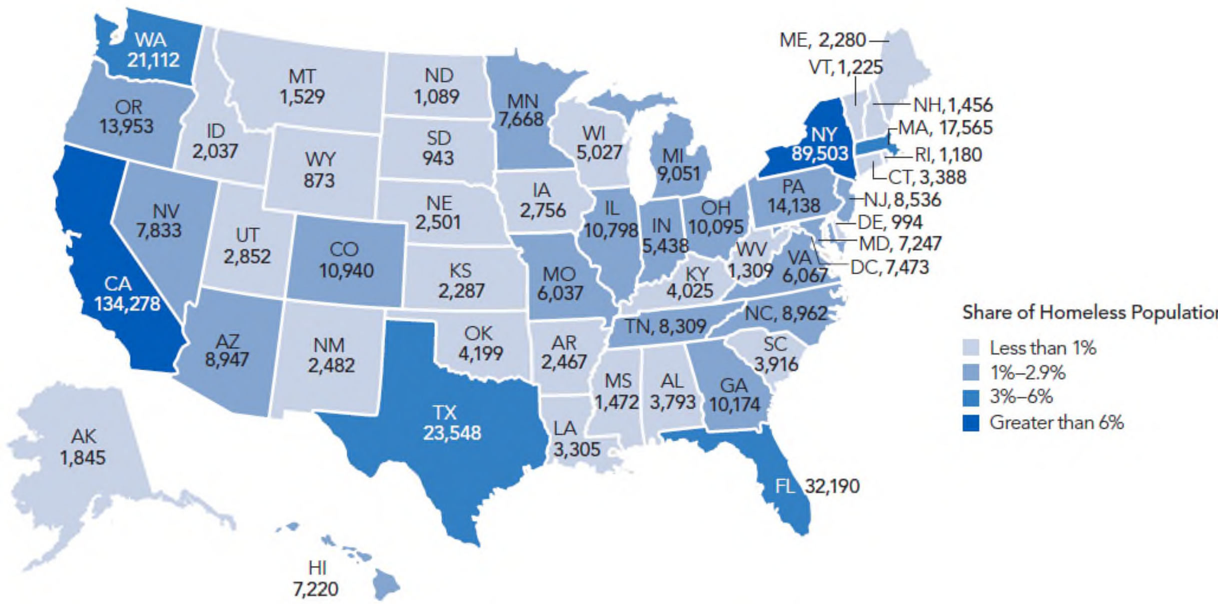
The National Homeless Data Analysis Project provides critical resources to communities to improve data collection and reporting, integrate data collection efforts in HMIS with other federal funding streams, use software as a service for data integration and to enhance the ability for HUD and communities to report and analyze data about persons experiencing homelessness, produce standards and specifications for data entry and reporting for all HMIS-generated reports, analyze point-in-time and longitudinal data to produce the Annual Homeless Assessment Report (AHAR), and provide direct technical assistance to CoCs on HMIS implementation.

Congress charged HUD with "taking the lead on data collection" on homelessness (House Report accompanying the fiscal year 2001 appropriations (106-988)). HMIS has grown to include other federal partners—in 2011, both VA and HHS committed to requiring HMIS to be used by their grantees—thereby streamlining data collection and improving collaboration among programs that serve individuals experiencing homelessness. HUD incentivizes participation in HMIS and high-quality data through its annual CoC Program application. HUD also provides extensive technical assistance (TA) for HMIS at the local level – including needs assessments, on-site assistance to improve data quality, community participation, and data analysis. HMIS has changed the way that HUD and communities do business, moving from using anecdotal and inconsistent evidence to using comprehensive and standardized data to inform policy decisions.

HMIS TA ensures consistency in data standards, policies, collection and reporting standards. HUD coordinates the participation of federal partners in HMIS, facilitating specifications for reporting that are cross-cutting, and supporting a HMIS Data and Research lab to provide data resources designed to lower costs for communities while increasing reporting accuracy for HUD and the federal partners.

3. Justification

Efficiency and Effectiveness of the Programs

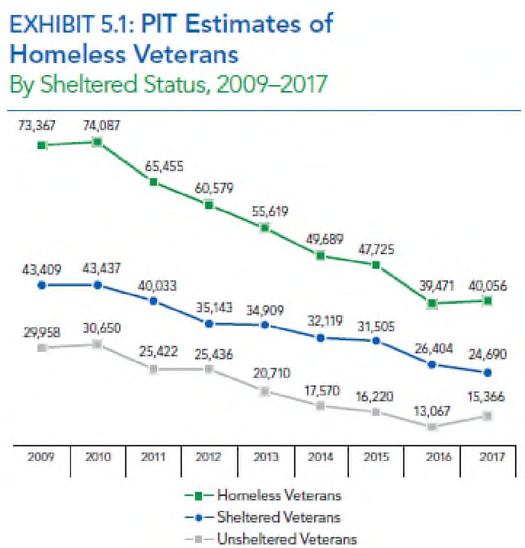


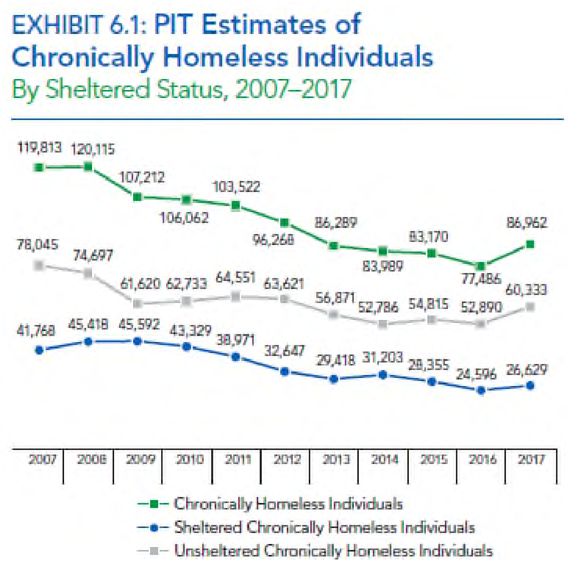
While HUD and our federal, national and local partners have learned a lot about what works to solve homelessness, it still affects nearly 554,000 men, women and children on any given day. To track progress and continue learning about individuals and families experiencing homelessness, each year, HUD publishes its *Annual Homeless Assessment Report to Congress (AHAR),*[2] which provides valuable information on the scope of homelessness and the needs of the persons served. It provides critical data to HUD and other policymakers so they can make informed decisions, while also providing data that is the basis for establishing goals and tracking progress towards ending homelessness. The data is collected both as a "snapshot" of the number and characteristics of persons who are homeless on a given night, and longitudinally, showing persons being served in emergency shelter, transitional housing, safe havens, and permanent housing.

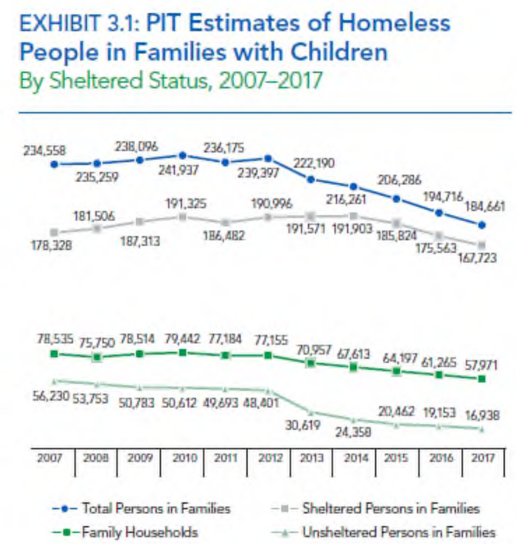
The most recent AHAR shows that homelessness increased slightly, for the first time since 2010. The number of people experiencing homelessness on a single night increased by less than 1 percent between 2016 and 2017: from 549,928 in January 2016 to 553,742 in January 2017. This increase was driven by the 9 percent (16,518 persons) increase in unsheltered persons between 2016 and 2017. Roughly 1.42 million people spent at least 1 night in an emergency shelter or transitional housing program during the 2016 AHAR reporting period, a 10.8 percent decrease from 2010.

[2] Part 1 of the 2017 AHAR can be accessed online at https://www.hudexchange.info/resource/5639/2017-ahar-part-1-pit-estimates-of-homelessness-in-the-us/ and Part 2 of the 2016 AHAR can be accessed online at https://www.hudexchange.info/resource/5640/2016-ahar-part-2-estimates-of-homelessness-in-the-us/.

To track progress on efforts to end homelessness, HUD uses the 2017 Point-In-Time (PIT) count data in the AHAR to track the number of families, chronically homeless individuals, and veterans experiencing homelessness. The following charts from the *2017 Annual Homeless Assessment Report to Congress: Point-in-Time Estimates of Homelessness* show the progress in reducing homelessness among these three groups.







For people who have lost their homes or are at risk of losing their homes, homeless assistance brings stability and helps address their needs for treatment, health care, and employment. To deliver these services, homeless assistance providers establish partnerships with a variety of public and private health, human service, and job training and placement organizations. HUD is working with communities to implement coordinated entry systems to ensure that people experiencing homelessness are quickly assessed and referred to the most cost-effective solution to their homelessness.

HUD's Homeless Assistance Grants fund a variety of program types that address the needs of individuals and families experiencing homelessness. Communities conduct a gaps analysis, and fund or reallocate projects based on the gaps identified. In a typical community, homeless assistance includes the following types of assistance:

- emergency shelter to house people in crisis;
- street outreach and other essential services to engage people who may be living on the streets or who are service-resistant;

- transitional housing to help individuals and families move to stability within 2 years;
- rapid re-housing to provide time-limited permanent housing and stabilization services;
- permanent supportive housing for homeless people with disabilities;
- homelessness prevention for individuals and families; and
- a variety of support services to help identify and maintain permanent housing.

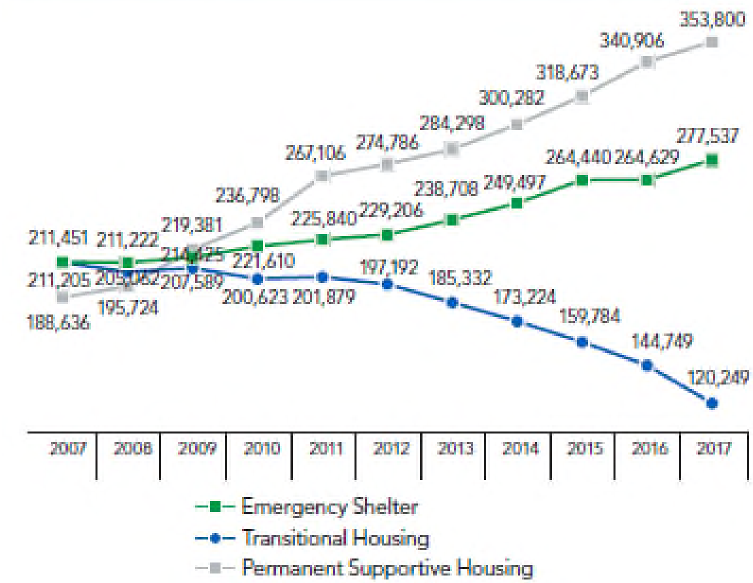
For over 15 years, HUD has prioritized permanent supportive housing, which serves people with the highest levels of housing and service needs, especially people experiencing chronic homelessness. In fiscal year 2017, HUD allocated over $1.48 billion – 77 percent of its competitive funds – to permanent supportive housing projects. More recently, as more evidence has emerged about the cost effectiveness of rapid re-housing relative to certain other interventions, HUD has created incentives for communities to use their ESG and CoC resources to expand rapid re-housing. The recent rise in unsheltered homelessness highlights the need for new rapid re-housing resources to help people move quickly off the streets and into housing.

Goals and Outcomes to Date

HUD has undertaken several policy and administrative initiatives that have resulted in positive outcomes for the program and for those being served by HUD's homeless programs.

Permanent Supportive Housing and Chronic Homelessness: HUD focuses its resources on people with the highest needs by offering bonuses and other incentives to communities in its annual NOFA. As shown in the chart below from the *2017 Annual Homeless Assessment Report to Congress: Point-in-Time Estimates of Homelessness*, since 2009, the number of permanent supportive housing beds has exceeded either the number of emergency shelter or transitional housing beds. Permanent supportive housing projects leverage an estimated $3 to each $1 of HUD funds.

EXHIBIT 7.1: Inventory of Beds for Homeless and Formerly Homeless People
2007–2017



Homeless Veterans: HUD is committed to ending veteran homelessness. The programs funded through the Homeless Assistance Grants account play an important role in achieving this goal and contributed to the decrease in veteran homelessness by 46 percent since 2010. Projects funded in fiscal year 2016 will provide over 10,000 homeless veterans permanent supportive housing through HUD's CoC program. Additionally, CoCs continue to work closely with the Department of Veterans Affairs (VA) and Public Housing Authorities to effectively use HUD-Veterans Affairs Supportive Housing (HUD-VASH) resources.

Child, family, and youth homelessness: Nearly 160,000 HUD-funded beds across the country were serving persons in homeless families at the beginning of 2017. In the fiscal year 2016 CoC program competition, HUD funded over 43,000 rapid re-housing beds that were targeted to homeless families with children. Over 23,000 beds across the country are dedicated to serve youth experiencing homelessness, 9,800 of which receive HUD funding. Many more youth are served in adult and family programs that do not necessarily set beds aside for youth.

Research-based Evidence of Effectiveness

There is a large body of research that demonstrates positive outcomes and cost-savings gained from housing and supportive services for homeless people. A recent study conducted in Orlando showed that placing 58 persons who regularly use public services (e.g., hospitals, jails) into permanent supportive housing resulted in a cost savings of nearly $2.5 million in a single year.[3] When looking at health service utilization in Orange County, California, researchers estimated average annual cost among those homeless who are housed ($26,158) is half the annual cost incurred by those on the street or in emergency shelters ($51,855), with the disparity even greater between those in permanent supportive housing ($43,184) and the chronically street homeless ($98,199).[4] Other research shows similar results. One study[5] showed that before housing placement, homeless people with serious mental illness used $40,451 per person per year in publicly funded emergency services. After placement in permanent supportive housing, the annual public cost of emergency services was reduced by approximately $12,146 per placement in housing, enough to offset virtually all of the cost of the permanent supportive housing. A randomized trial of homeless adults with chronic mental illness in Chicago found that case management and housing assistance reduced hospitalization and hospital days by 29 percent and emergency department visits by 24 percent and it generated an average annual cost savings of $6,307 per person.[6] Another study of homeless people with chronic mental illness in Seattle found that total cost offsets for Housing First participants relative to the control group averaged $2,449 per person per month after accounting for housing program costs.[7] Studies have also found that supportive housing improves housing stability and reduces emergency department and inpatient services.[8]

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[3] Ability Housing. 2017. "Solutions that Save." https://abilityhousing.org/the-solution-that-saves/.

[4] Snow, David A. and Richard E. Goldberg. 2017. "Homelessness in Orange County: The Costs to Our Community." https://www.jamboreehousing.com/uploads/pdfs/united-way-cost-study-homelessness-2017-report-jamboree.pdf.

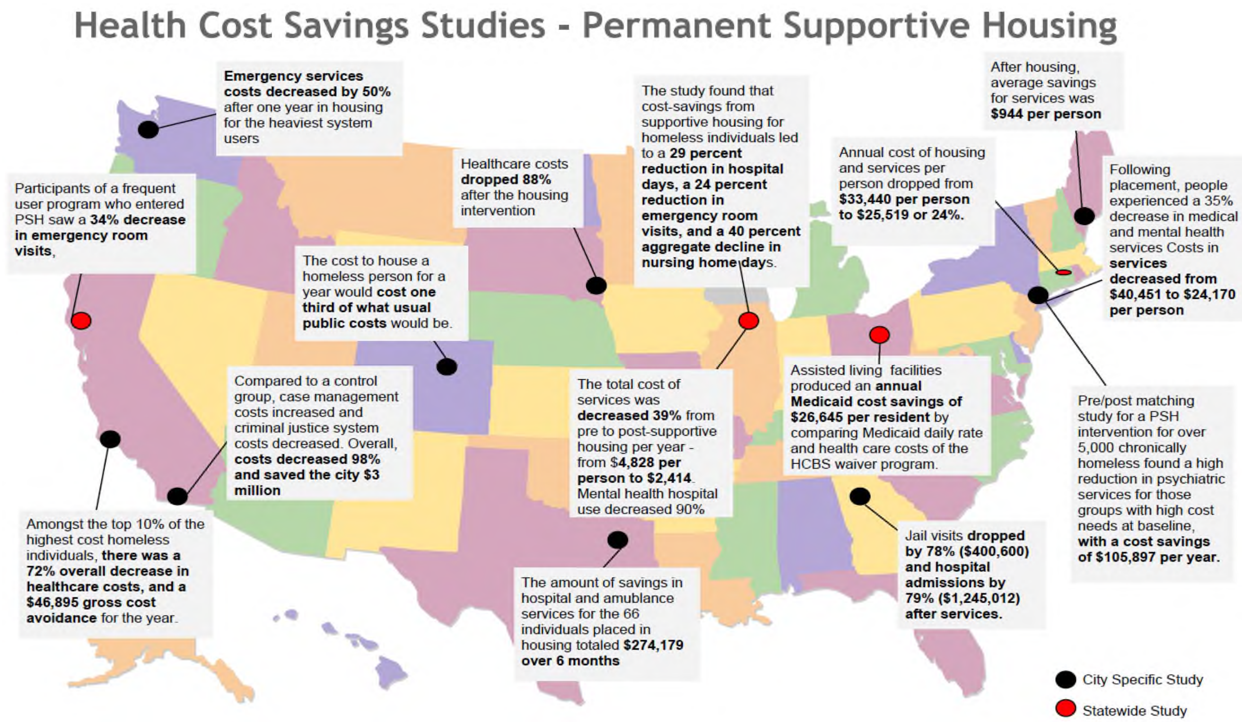
[5] Culhane, Dennis P., Stephen Metraux, and Trevor Hadley. 2002. "Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing." *Housing Policy Debates* 13(1): 107-63. See also, Cunningham, Mary. 2009. "Preventing and Ending Homelessness-Next Steps." *Metropolitan Housing and Communities Center.* Washington, DC: Urban Institute; Martinez, Tia, and Martha R. Burt. 2006. "Impact of Permanent Supportive Housing on the Use of Acute Care Health Services by Homeless Adults." *Psychiatric Services* 57(7): 992–99.

[6] Basu, Anirban, Romina Kee, David Buchanan, and Laura S. Sadowski. 2012. "Comparative Cost Analysis of Housing and Case Management Program For Chronically Ill Homeless Adults Compared to Usual Care." *HSR* 47(1): 523-543; Sadowski, Laura, Romina Kee, Tyler VanderWeele, David Buchanan. 2009. "Effect of a Housing and Case Management Program on Emergency Department Visits and Hospitalizations Among Chronically Ill Homeless Adults: A Randomized Trial." *JAMA* 301(17): 1771-8.

[7] Larimer, Mary, Daniel Malone, Michelle Garner, et al. 2009. Health Care and Public Service Use and Costs Before and After Provision of Housing for Chronically Homeless Persons With Severe Alcohol Problems." *JAMA* 301(13): 1349-57.

[8] Cunningham, Mary. 2009. "Preventing and Ending Homelessness-Next Steps." *Metropolitan Housing and Communities Center*. Washington, DC: Urban Institute; Martinez, Tia, and Martha R. Burt. 2006. "Impact of Permanent Supportive Housing on the Use of Acute Care Health Services by Homeless Adults." *Psychiatric Services* 57(7): 992–99; Tsemberis, Sam, Leyla Gulcur, and Maria Nakae. 2004. "Housing First, Consumer Choice, and Harm Reduction for Homeless Individuals with Dual Diagnosis." *American Journal of Public Health* 94:651; Culhane, Dennis P., Stephen Metraux, and Trevor Hadley. 2002. "Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing." *Housing Policy Debate* 13(1): 107–63.

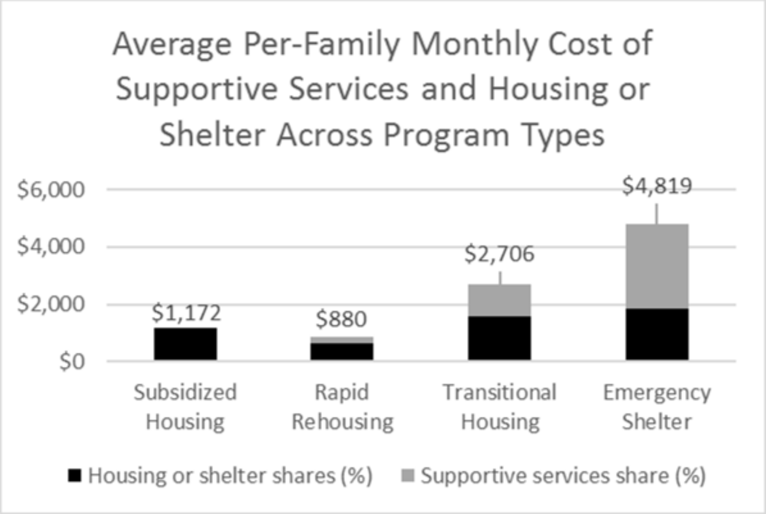
The map below details the findings of several of studies related to cost effectiveness of permanent supportive housing projects, which demonstrate cost savings and increased positive outcomes for program participants. It is clear from the outcomes on chronic homelessness as stated above that focused federal attention can make a difference in the homeless population.



GAO reports identify opportunities to improve outreach to women veterans and to improve coordination across federal agencies that are members of the U.S. Interagency Council on Homelessness.[9] HUD is also engaged in several efforts to improve interagency coordination, as well as a number of evaluations on the effectiveness of homelessness interventions to identify best practices to serve special populations, such as families with children, youth aging out of foster care, and veterans. These studies include:

[9] GAO-12-491 Homelessness: Fragmentation and Overlap in Programs Highlight The Need to Identify, Assess, and Reduce Inefficiencies. Washington, DC: GAO; GAO-12-182 Homeless Women Veterans: Actions Needed to Ensure Safe and Appropriate Housing, Washington, DC: GAO

- The outcomes from the *Family Options Study*, a large and rigorous study of the impact of various housing and service interventions for homeless families, were released in October of 2016. These outcomes document how families were faring 3 years after being randomly assigned to one of four interventions: a permanent housing subsidy, community-based rapid re-housing, project-based transitional housing, or usual care. The study indicates that having priority access to deep long-term housing subsidies produces substantial benefits for families. More than one-third of families in all assignment groups found their way to long-term housing subsidies, but families given priority access to that assistance obtained subsidies more often and sooner. Families assigned to receive rapid re-housing received assistance at a lower cost than any other intervention. All reports associated with the study can be found on https://www.huduser.gov/portal/publications/Family-Options-Study.html.



- The *Evaluation of the Rapid Re-housing for Homeless Families Demonstration* included both a process and outcome evaluation of the 23 grantees that participated in the demonstration, and documents the program models implemented by the grantees, as well as a set of outcomes observed from a subset of program participants. The final report was released on April 13, 2016 and can be found on https://www.huduser.gov/portal/publications/RRHD-Report-PartI.html. Results show that families had a low likelihood of returning to emergency shelter within the study period—a review of Homelessness Management Information System, or HMIS, data found that only 10 percent of households served experienced at least one episode of homelessness within 12 months of program exit. Additionally, it found that families were highly mobile following the end of program participation—76 percent of households moved at least once within the 12-month period following their exit from the program.

- The study on *Housing Models for Youth Aging Out of Foster Care* was conducted to help understand the housing needs of the nearly 30,000 youth who "aged out" of the foster care system every year, catalog the range of housing programs available to them, and identify opportunities to mitigate the risk of homelessness to this young population. The cornerstone activity of this research effort was an in-depth exploration of the Family Unification Program (FUP), and the extent to which communities target this special purpose voucher program to eligible youth who have aged out of foster care. The final reports from this study are currently available here: http://www.huduser.org/portal/youth_foster_care.html. The report showed 47 percent of PHAs operating FUP had awarded vouchers to former foster youth, and most youth with a FUP voucher are able to lease up. "Nearly three-fourths of the PHAs serving youth reported that youth secure housing before the initial period expires more than half the time, and two-thirds of the PHAs said that more than 75 percent of youth who receive a voucher lease up eventually."

HUD is also improving collaboration across internal program areas to support ending homelessness. A census of all PHAs will document current PHA engagement in serving homeless households and will identify mechanisms to address barriers to increasing the number of homeless households served. HUD provides tools for local communities to improve collaboration between Public Housing Authorities and homeless systems.

<u>Plans to Increase Efficiency</u>
The Department bases funding on performance and community-wide improvements. Through its annual CoC Program Competition and its messaging, HUD works with communities to create a performance-based environment. Communities are expected to use data to understand the needs of their local homeless population, resources available to serve the homeless, the gaps in needs and resources, and the effectiveness of existing resources. When there are projects with low performance and compliance issues, HUD prioritizes keeping assistance within a community and attempts to intervene and provide grantees with an opportunity to make improvements before recapturing funds. HUD also encourages reallocation of under-performing grants to new grants. Incentives are offered to communities that implement a reallocation process to identify and replace under-performing or unnecessary projects. With limited resources, it is important to ensure that all projects funded through the CoC Program, including renewals, are effective. For the last several years HUD has pushed hard to make its investments more efficient – to make every dollar that we spend mean the most to the people whom we serve. In fact, HUD has increased the number of households served with residential programs by 22.5 percent over 2 years. And through the fiscal year 2016 awards, the CoC program is serving 14.8 percent more households per dollar spent for residential programs than in 2014. These efforts mean that communities can reach and assist more people with the same dollars than they could two years ago.

The implementation of the HEARTH Act provided HUD and its grantees with new goals and tools to increase performance both at the project level and the system level. For example, the HEARTH Act includes a variety of new performance measures to help increase overall effectiveness of the program. The CoC program interim rule, issued in 2012, requires CoCs to establish formal performance measurement procedures and encourages critical evaluation of resources and needs. This includes evaluation of the effectiveness of projects by emphasizing performance at both the project and the system level. This systematic review by each community will lead to better use of limited resources and more efficient service models. Performance measures include rates of returns to homelessness, the average length of time persons experience homelessness, housing stability, and employment. Now that data collection on these measures is fully implemented, HUD and communities will more easily identify projects that are less effective and gaps in housing and services. HUD continues to incentivize high performance on these and other indicators through the CoC competition, providing additional points to communities with higher rates of success.

Under the HEARTH Act, Congress authorized HUD to fund Unified Funding Agencies (UFAs) to provide greater flexibility and local autonomy to communities that demonstrate that they have the financial and performance capacity to take a stronger role in administering HUD funds. Communities that are designated as UFAs by HUD are required to monitor their grants and perform greater financial oversight. In return, HUD is able to award funds more flexibly to the UFAs who then administer the funds according to their application to HUD. This reduces the administrative burden on HUD and increases the local control of CoC Program funds for communities.

Finally, HUD is committed to providing a variety of technical assistance resources to communities and grantees to help identify and address any performance and compliance issues. HUD intends to use technical assistance as another tool to encourage communities to implement best practices and improve efficiencies in projects and in the community as a whole.

General Provisions

The President's Budget proposes the following General Provisions for Homeless Assistance Grants:

- Allowing Continuum of Care grants to counts towards matching requirements. HUD proposes to allow Homeless Assistance Grant recipients to count program income as an eligible match for CoC program funds (Section 221).

- Continuum of Care Transition Grants. HUD proposes to allow CoC grantees to receive one-year transition grants to transition from one CoC program component to another. When a grant for a project is awarded through reallocation, it is a new project and cannot start operations until the grant agreement has been executed. However, there are instances where a new grant created through reallocation is using the staff and other resources, including housing, from the grant that is being eliminated to create the new grant. To avoid undue hardship on organizations, and to ensure that program participants are served in the most appropriate manner during the transition period, HUD is seeking authority to allow the eliminated project to continue operating during the transition period from the old to new grant (Section 232).

- Rental Assistance Flexibility. HUD proposes to allow additional flexibility for applicants to calculate their need for rental assistance. The change would allow applicants to use their own methodology for calculating their rental assistance budget rather than relying on a HUD determined formula. It would not change the amount of rental assistance that could be provided to a program participant. This change will simplify the application process and reduce opportunities for errors. It will also provide rental assistance amounts that more accurately reflect the need in each community. (Section 237).

- Rural Communities and Homelessness. HUD proposes to allow rural communities to use funds for additional eligible activities, including capacity building, repairs, and other short-term activities that help rural homeless communities address barriers to transitioning homeless individuals and families to permanent housing. This provision helps address the lack of provider capacity in many rural areas and allows rural providers to use cost effective strategies to help individuals and families move into and retain permanent housing. (Section 238).

COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Continuum of Care	$2,018,000	$2,169,803	$4,187,803	$2,064,933	$2,004,296	$2,114,150	$4,118,446	$2,121,000
Emergency Solutions Grants	310,000	59,781	369,781	152,629	307,895	217,151	525,046	255,000
National Homeless Data Analysis Project	12,000	...	12,000	...	11,919	12,000	23,919	7,000
Youth Demonstration ...	43,000	33,000	76,000	156	42,708	75,844	118,552	...
Youth Technical Assistance	...	...	...	...	...	...	...	...
Technical Assistance ..	...	...	...	...	...	17	17	...
Pay for Success Demonstration	...	71	71	73	...	...	...	...
Housing Needs for Human Trafficking Victims ..	[16,042]	...	[16,042]	...	...	16,042	16,042	...
Total	2,383,000	2,262,655	4,645,655	2,217,791	2,366,818	2,435,204	4,802,022	2,383,000

NOTES

a. In the 2016 Carryover Into 2017 column, the Continuum of Care set-aside includes $10.4 million in fiscal year 2016 recaptures.
b. The Continuum of Care 2017 Carryover Into 2018 column includes $13 million in fiscal year 2017 recaptures.

COMMUNTY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
Appropriations Language

The fiscal year 2019 President's Budget includes proposed changes in the appropriation language listed below.

For the Emergency Solutions Grants program as authorized under subtitle B of title IV of the McKinney-Vento Homeless Assistance Act, as amended; the Continuum of Care program as authorized under subtitle C of title IV of such Act; and the Rural Housing Stability Assistance program as authorized under subtitle D of title IV of such Act, $2,383,000,000, to remain available until September 30, 2021: Provided, That any rental assistance amounts that are recaptured under such Continuum of Care program shall remain available until expended: Provided further, That not less than $255,000,000 of the funds appropriated under this heading shall be available for such Emergency Solutions Grants program: Provided further, That not less than $2,081,000,000 of the funds appropriated under this heading shall be available for such Continuum of Care and Rural Housing Stability Assistance programs: Provided further, That up to $7,000,000 of the funds appropriated under this heading shall be available for the national homeless data analysis project: Provided further, That of the amounts made available under this heading, up to $40,000,000 may be made available for grants for rapid re-housing projects targeted to reducing unsheltered homelessness in areas with high rates of unsheltered homelessness: Provided further, That for all match requirements applicable to funds made available under this heading for this fiscal year and prior years, a grantee may use (or could have used) as a source of match funds other funds administered by the Secretary and other Federal agencies unless there is (or was) a specific statutory prohibition on any such use of any such funds: Provided further, That none of the funds provided under this heading shall be available to provide funding for new projects, except for projects created through reallocation, unless the Secretary determines that the continuum of care has demonstrated that projects are evaluated and ranked based on the degree to which they improve the continuum of care's system performance: Provided further, That the Secretary shall prioritize funding under the Continuum of Care program to continuums of care that have demonstrated a capacity to reallocate funding from lower performing projects to higher performing projects: Provided further, That any unobligated amounts remaining from funds appropriated under this heading in fiscal year 2012 and prior years for project-based rental assistance for rehabilitation projects with 10-year grant terms may be used for purposes under this heading, notwithstanding the purposes for which such funds were appropriated: Provided further, That all balances for Shelter Plus Care renewals previously funded from the Shelter Plus Care Renewal account and transferred to this account shall be available, if recaptured, for Continuum of Care renewals in fiscal year 2019: Provided further, That youth aged 24 and under seeking assistance under this heading shall not be required to provide third party documentation to establish their eligibility under 42 U.S.C. 11302(a) or (b) to receive services: Provided further, That unaccompanied youth aged 24 and under or families headed by youth aged 24 and *under who are living in unsafe situations may be served by youth-serving providers funded under this heading: Provided further, That the Secretary may use amounts made available under this heading for the Continuum of Care program to renew a grant originally awarded pursuant to the matter under the heading "Department of Housing and Urban Development—Permanent Supportive Housing" in chapter 6 of title III of the Supplemental Appropriations Act, 2008 (Public Law 110–252; 122 Stat. 2351) for assistance under subtitle F of title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11403 et seq.): Provided further, That such renewal grant shall be awarded to the same grantee and be subject to the provisions of such Continuum of Care program except that the funds may be used outside the geographic area of the continuum of care.*

Note.—A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2018 (P.L. 114-254). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.

COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT LOAN GUARANTEE
2019 Summary Statement and Initiatives
(Dollars in Thousands)

COMMUNITY DEVELOPMENT LOAN GUARANTEE	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	...[a]	...	...	...	...	$1,246
2018 Annualized CR	...[a]	...	...	...	...	2,600
2019 Request	...	...	...	...	...	2,539
Change from 2018	...	...	...	...	...	-61

NOTE: The table above reflects only discretionary budget authority; mandatory authority for upward credit reestimates are excluded.
a/ No credit subsidy budget authority was requested since the program moved to a fee-based program.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 Budget does not request additional loan guarantee authority for the Community Development Loan Guarantee program, also known as the Section 108 program. This program has historically provided federal guarantees to private lenders to assist communities in undertaking large community or economic development projects. Since fiscal year 2016, with the implementation of the Congressionally approved fee structure, the Section 108 program has not required an appropriated credit subsidy. While this program operates without appropriated funds, it remains inextricably linked to the Community Development Block Grant (CDBG) program, both with respect to programmatic requirements and as a source of collateral. The 2019 Budget devolves community and economic development activities to the State and local level and proposes to eliminate CDBG, and it would effectively eliminate the Section 108 program as a financing source for communities.

As of December 2017, the Section 108 program supports 632 outstanding loans in communities across the country, with a total loan balance of $1.38 billion. Existing guaranteed loans could extend up to twenty years into the future, and existing commitments, if financed, could extend that date further into the future. HUD will work with Section 108 borrowers to address guarantees that are structured around future CDBG funds and to prevent default, as well as continuing to provide regulatory and programmatic oversight.

COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT LOAN GUARANTEE
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Loan Guarantee Subsidy	...	...	...	...	...	...	...	...
Loan Commitment Level .	[$300,000]	...	[$300,000]	...	[$297,963]	...	[$297,963]	...
Total	[300,000]	...	[300,000]	...	[297,963]	...	[297,963]	...

NOTE: For fiscal year 2018, Public Law 115-56 requires a reduction of 0.6791 percent from the fiscal year 2017 enacted budget authority.

COMMUNITY PLANNING AND DEVELOPMENT
HOUSING TRUST FUND
2019 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING TRUST FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$221,767	$170,592	-$2,637[a]	$389,722	$217,084	$1,947
2018 Annualized CR	...	172,638	15,302[b]	187,940	187,940	64,553
2019 Request	...	...	...	...	...	112,467
Change from 2018	...	-172,638	-15,302	-187,940	-187,940	+47,914

a/ This number consists of sequestered funds (6.9 percent of Budget Authority (-$15.302 million)) made temporarily unavailable per the OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2017 plus the $12.665 million sequestered from fiscal year 2016 that became available in fiscal year 2017.

b/ Sequestered funds from fiscal year 2017 that became available in fiscal year 2018.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Housing Trust Fund is a mandatory program, authorized by the Housing and Economic Recovery Act of 2008, and funded through assessments from the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). The program funds finance the development, rehabilitation, and preservation of affordable housing for extremely low-income (ELI) households, and began operations in fiscal year 2016.

The 2019 Budget proposes to eliminate the assessments on Fannie Mae and Freddie Mac, discontinue the Housing Trust Fund, and devolves affordable housing activities to States and local governments. The Department will continue to administer the program until all existing grant funds are disbursed and closed, and oversee projects assisted with these grant funds until the end of their affordability periods (maximum 30 years).

The Budget also assumes no funds will be provided to the Housing Trust Fund in 2018 in accordance with the Federal Housing Finance Agency's 2014 stated policy that funds will not be transferred if the transfer would cause the GSEs to draw on the Treasury funding commitment under the Preferred Stock Purchase Agreements (PSPAs). The Budget anticipates that such a draw will occur in 2018 as a result of the enactment of tax reform legislation.

COMMUNITY PLANNING AND DEVELOPMENT
HOUSING TRUST FUND
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Formula Grants	$219,130	$170,592	$389,722	$217,084	$15,302	$172,638	$187,940	...
Total	219,130	170,592	389,722	217,084	15,302	172,638	187,940	...

HOUSING
PROJECT-BASED RENTAL ASSISTANCE
2019 Summary Statement and Initiatives
(Dollars in Thousands)

PROJECT-BASED RENTAL ASSISTANCE	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$10,816,000	$561,418	...	$11,377,418[a]	$11,108,274	$11,194,642
2018 Annualized CR	10,816,000	339,144	-$73,452	11,081,692[b]	10,831,000	11,560,000
2019 Request	11,147,000	337,692	-650	11,484,042[c]	10,953,000	10,888,000
Change from 2018	+331,000	-1,452	+72,802	+402,350	+122,000	-672,000

a/ Resources, obligations and outlays for 2017 Appropriation include $411 million in carryover of unobligated balances, $51 million from recaptures realized in 2017, $63 million transferred from the Public Housing Operating Fund and Capital Fund for the Rental Assistance Demonstration (RAD), and $36 million from Other Assisted Housing for RAD conversions.

b/ Resources, obligations and outlays for 2018 Annualized Appropriation include $269 million in carryover of unobligated balances, an estimated $54 million transfer from the Public Housing Operating Fund for RAD conversions, and $16 million transferred from Other Assisted Housing for RAD conversions. Public Law 115-56 requires a reduction from the 2018 enacted budget authority of .06791 percent (reflected in the $73.5 million reduction in the "Supplemental/Rescission" column).

c/ Resources, obligations and outlays for the 2019 Request include $250 million in carryover of unobligated balances, an estimated $83 million transferred from the Public Housing Operating Fund for RAD conversions, and an estimated $4 million transferred from Other Assisted Housing for RAD conversions. Unobligated balances from PBRA Disaster Assistance (P.L. 110-329 as amended by P.L. 111-32) are permanently cancelled, as reflected in the "Supplemental/Rescission" column.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Department requests a total of $11.147 billion to meet Section 8 Project-Based Rental Assistance (PBRA) program needs for 2019. This includes $10.622 billion for renewals and up to $280 million for amendments, as well as up to $245 million for Performance-Based Contract Administration. The total requested funding level for 2019 is $331 million more than the 2018 annualized full year CR amount. As described further below, the funding request reflects a set of policies, that reduce costs while continuing to assist current residents, and the Administration will submit a legislative package of comprehensive rental assistance reforms consistent with this funding request following submission of the Budget. The request, in combination with previously appropriated resources, is estimated to support all PBRA rental subsidy contracts through the end of calendar year 2019.

Project-Based Rental Assistance

The funding requested allows the renewal or amendment of several types of rental assistance contracts, which provide safe, stable, affordable housing to approximately 1.2 million households each year:

- Project-Based Section 8 contracts (including Public Housing, Rent Supplement, and Rental Assistance Program units converted to PBRA via the Rental Assistance Demonstration)
- Moderate Rehabilitation contracts and Single Room Occupancy contracts
- Performance-Based Contract Administration (PBCA) contracts to support program operations and oversight.

2. Request

The Project-Based Rental Assistance program provides rental assistance on behalf of eligible tenants residing in specific multifamily rental developments, through contracts between the Department and owners of multifamily rental housing. If a tenant moves, the assistance stays with the housing development (which is a major difference between this program and the Tenant-Based Rental Assistance program in which the subsidy moves with the tenant). The amount of rental assistance paid to the owner is the difference between what a household can afford, and the approved contract rent for the unit. This program serves approximately 1.2 million low-income and very low-income households that are primarily seniors, families with children, and persons with disabilities.

Contract Renewals and Amendments - $10.902 billion

The 2019 request provides annual renewal funding for over 16,500 Section 8 contracts. In 2017, HUD completed the transition to the calendar year funding methodology, which was utilized in 2018 and will continue in 2019. The PBRA request includes renewal funding for public housing properties that converted to PBRA in 2013 through 2017 through the Rental Assistance Demonstration (RAD). HUD will continue the conversion of some Public Housing to long-term Section 8 contracts in 2019 under the RAD program. The request also includes renewal funding for Rent Supplement (RS) and Rental Assistance Payment (RAP) properties converting to PBRA in 2018 under the second component of RAD.

The Section 8 Amendment funds are attributed to the need for long-term project-based contracts executed primarily in the 1970s and 1980s. During those years, the Department provided contracts for terms of up to 40 years. Accurately estimating funding needs over such a long period proved to be problematic, and accordingly, many of these Section 8 contracts were inadequately funded.

Project-Based Rental Assistance

Contract Administration Support - $245 million

In 2019, the Department proposes up to $245 million for Performance-Based Contract Administrators (PBCAs) or other supportive services contractors. These entities, which are integral to the Department's efforts to be more effective and efficient in the oversight and monitoring of the PBRA program, are typically responsible for conducting on-site management reviews of assisted properties; adjusting contract rents; and reviewing, processing, and paying monthly vouchers submitted by owners. This request reflects an estimate of potential costs for supporting new contracts that will be competed in 2018, in accordance with Federal Acquisition Regulations (FAR). The request for $245 million is combined with flexibility to repurpose up to $40 million in other PBRA funds (in addition to recaptures in the Housing Certificate Fund, as necessary) to ensure uninterrupted services in the event of delays in the procurement process.

Tenant Education and Outreach Activities – up to $3 million

In 2019, the Department seeks to allocate up to $3 million (from Contract Renewals and Amendments funds) to continue funding for assistance to tenant groups, nonprofit groups, and public entities to support their efforts to assist tenants of troubled properties and improve tenant access to community services to support self-sufficiency. This technical assistance may also involve education efforts related to the proposed cost savings measures impacting tenants. Section 514(f) of Multifamily Assisted Housing Reform and Affordability Act (MAHRA) authorizes the Secretary to utilize appropriations for project based rental assistance for tenant assistance activities and for technical assistance for preservation activities. PBRA appropriations authority for "administrative and other expenses associated with project-based activities and assistance" enables implementation of this MAHRA authorization.

3. Justification

Addressing the need for quality affordable rental homes

The PBRA program is one of three major federal rental assistance programs for providing low-income families with decent, safe and affordable housing. The program currently provides affordable housing for over 1.2 million families, many of whom are vulnerable populations. Approximately 47 percent of assisted households are headed by elderly persons, 17 percent by persons with disabilities, and 26 percent by females with children. The program supports a stock of affordable housing and maintains and protects the long-term Federal investment in these assets, which would be costly to recreate.

Reducing the number of families with severe housing needs and reduces or prevents homelessness

HUD's *Worst Case Housing Needs: 2017 Report to Congress* reveals that among very low-income renter households that lacked assistance, 8.3 million had worst case housing needs resulting from severe rent burden (paying more than one-half of their monthly income for rent) or living in severely inadequate housing units. The likelihood that a very low-income renter household has worst case needs increased to 43 percent in 2015, approaching the record rate of 44 percent observed in 2011. Public-sector housing assistance and private-sector housing development have substantially failed to keep up with the growing demand for affordable rental housing.

PBRA funding directly reduces worst case housing needs by providing affordable housing to populations likely to face worst-case needs, included families with children, senior citizens, and persons with disabilities. Without assistance, housing costs would effectively diminish the already-limited incomes of these families, even for necessities such as utilities, food, health care, child care, education and transportation costs. Many would be placed at risk of homelessness.

Preserving the affordability and condition of privately owned rental housing

The gap in supply of affordable rental units relative to need has been growing for decades; worst case needs are common in every region and metropolitan category across the United States. Nationwide, 43 percent of very low-income renters had worst case housing needs in 2015. Only 66 affordable units exist nationwide per 100 extremely low-income renters, and because many of these units are occupied by higher-income renters, only 38 units per 100 extremely low-income renters are available to renters in this category (only 33 of the affordable, available units are also physically adequate). The available rental stock, even at higher rent levels, is being absorbed rapidly, reducing the overall rental vacancy rate from 10.9 percent in 2009 to 9.7 percent in 2015. Therefore, it is increasingly important that PBRA supports a stock of long-term affordable rental housing for the lowest-income American families.

Expanding choices of affordable rental homes located in a broad range of communities

The preservation of affordable units assures that units will continue to become available in a wide range of housing markets throughout the nation as vacancies occur. Many projects are in neighborhoods where low-income families may otherwise be unable to find affordable housing, while other projects serve as anchors providing well-maintained properties in areas that might experience downward investment. Many projects also provide badly needed affordable housing in rural areas, as some projects were developed with financing through the USDA Rural Housing Service's Section 515 Multifamily program.

PBRA's spillover benefits to local communities and economies

Multifamily housing assisted by PBRA stabilizes neighborhoods and contributes to local economic bases. In addition to local revenue generation and job retention associated with ongoing project operation, the PBRA program is also a redevelopment and preservation tool for private owners of low-income multifamily rental housing. PBRA contracts act as a critical credit enhancement for project financing, allowing owners to leverage private debt and equity to permit project refinancing and recapitalization. The periodic refinancing of the debt underlying projects assisted by PBRA generates significant capital available for investment in construction repairs and improvements. If funding for the PBRA program is not provided, the value of this underlying debt to FHA and private lenders as well as existing equity in the physical structures could be severely eroded, contributing to significant loss of privately held wealth and community investment.

PBRA has maintained a stock of long-term affordable rental housing for the lowest-income American families while a long-term affordable housing shortage was growing increasingly severe. The number of very low-income renters increased by 5.1 percent between 2013 and 2015 (from 13.7 to 14.4 million households) while the number of affordable units for these renters decreased by 234,000 units (1.9 percent). In the face of this affordable rental shortage, PBRA continues to account for over 6 percent of the nation's affordable housing stock for very low-income renters.

<u>Cross-cutting Rent Reform Proposals</u>

The current rent structure in HUD's rental assistance programs creates disincentives to employment and stable family formation, imposes large administrative burdens, generates significant costs to the Federal government, and represents a one-size-fits-all approach that does not take into consideration local community needs. HUD is committed to the reformation of its rental assistance programs with the following goals:

1. Encouraging work and stable family formation;
2. Simplifying program administration;
3. Increasing local control and choice;
4. Reducing costs to the federal government; and
5. Protecting current elderly and disabled households from adverse impacts.

In furtherance of these goals, while also continuing to assist current residents, HUD will submit a rental reform legislative proposal to Congress in March. This Budget reflects key elements of that proposal, including:

- Establishing or increasing mandatory minimum rents;
- Simplifying rent calculations and increasing tenant rent contributions;
- Preventing rent increases for the most vulnerable current tenants, the elderly and disabled, when the new rent policies are implemented;
- Limiting income recertification for all households to once every three years, which supports stable family formation and incentivizes work by deferring increases in tenant rent payments as a result of increased wages;

Project-Based Rental Assistance

- Providing a hardship exemption for tenants who, in certain circumstances, are unable to pay their rents; and
- Giving PHAs and property owners the option to choose alternative rent structures, approved by the Secretary, that work best for their communities, as well as the option to implement minimum work requirements for work-able residents. These alternative rent structures must incur the same overall program costs.

Proposed funding levels, while significantly reduced from the 2017 enacted level, should support currently assisted households while strategically reshaping the Federal footprint of HUD's rental assistance programs over time.
Please see the "Enhance Rental Assistance" justification for more information.

In addition to these cross-rental reforms, the Budget re-proposes a one-year freeze on annual rent adjustment increases in the PBRA program, which may include those made using an annual operating cost adjustment factor, annual adjustment factor, budget based rent increase, or updated market rent study.

General Provisions

The President's budget request the following General Provisions for Project-based Rental Assistance:

- This general provision governs the sharing of savings that result from refunding the existing bonds for certain Section 8 contracts. The savings provided to State Housing Finance Agencies can be used for social services, for professional services essential to carry McKinney-funded activities, project facilities or mechanical systems, and office systems (Sec. 201).

- This provision will allow the Secretary to authorize the transfer of some or all project-based assistance, debt held or insured by the Secretary and statutorily required low-income and very low-income use restrictions if any, associated with one or more multifamily housing project or projects to another multifamily housing project (Sec 206).

- This general provision will enhance HUDs ability to exercise oversight within the PBRA program, allowing for HUD to mandate corrective action, contract transfers or change in management due to failure to meet physical condition standards (Sec. 213).

- This provision would authorize the Department to suspend the requirement to provide annual rent increases for fiscal year 2019 to multifamily property owners (Sec. 226).

HOUSING
PROJECT-BASED RENTAL ASSISTANCE
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Contract Renewals and Amendments	$10,334,000	$288,067	$10,622,067	$10,535,690	$10,266,801	$236,704	$10,503,505	$10,704,000
Contract Administrators	235,000	6,525	241,525	241,507	233,404	18	233,422	245,000
Tenant Resources Network	3,000	...	3,000	2,930	...	...	...	3,000
Vouchers for Disaster Relief - (P.L. 111-32)	...	650	650	...	...	650	650	...
Rental Assistance Demonstration	...	119,673	119,673	84,147	...	35,526	35,526	...
Mod Rehab and SRO Renewals	244,000	146,503	390,503	244,000	242,343	66,246	308,589	195,000
Research and Technology(transfer) .	...	...	...	...	...	...	...	...
Total	10,816,000	561,418	11,377,418	11,108,274	10,742,548	339,144	11,081,692	11,147,000

NOTES:

- For fiscal year 2017, Resources and Obligations include $411 million in carryover of unobligated balances, $51 million from recaptures realized in 2017, $63 million transferred from the Public Housing Operating Fund and Capital Fund for the Rental Assistance Demonstration (RAD), and $36 million from Other Assisted Housing for RAD conversions.
- For the fiscal year 2018 Annualized CR, Resources and Obligations include $269 million in carryover of unobligated balances, an estimated $54 million transfer from the Public Housing Operating Fund for RAD conversions, and $16 million transferred from Other Assisted Housing for RAD conversions. Public Law 115-56 requires a reduction from the 2018 enacted budget authority of .06791 percent.
- For the fiscal year 2019 Request, included is $250 million in carryover of unobligated balances, an estimated $83 million transferred from the Public Housing Operating Fund for RAD conversions, and an estimated $4 million transferred from Other Assisted Housing for RAD conversions. Additionally, unobligated balances from PBRA Disaster Assistance (P.L. 110-329 as amended by P.L. 111-32) are permanently cancelled (rescinded).

HOUSING
PROJECT-BASED RENTAL ASSISTANCE
Appropriations Language

The fiscal year 2019 President's Budget includes the appropriation language listed below.

For activities and assistance for the provision of project-based subsidy contracts under the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.) ("the Act"), not otherwise provided for, $10,747,000,000, to remain available until September 30, 2021, shall be available on October 1, 2018 (in addition to the $400,000,000 previously appropriated under this heading that became available October 1, 2018), and $400,000,000, to remain available until September 30, 2022, shall be available on October 1, 2019: Provided, *That the amounts made available under this heading shall be available for expiring or terminating section 8 project-based subsidy contracts (including section 8 moderate rehabilitation contracts), for amendments to section 8 project-based subsidy contracts (including section 8 moderate rehabilitation contracts), for contracts entered into pursuant to section 441 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11401), for renewal of section 8 contracts for units in projects that are subject to approved plans of action under the Emergency Low Income Housing Preservation Act of 1987 or the Low-Income Housing Preservation and Resident Homeownership Act of 1990, and for administrative and other expenses associated with project-based activities and assistance funded under this paragraph:* Provided further, *That of the total amounts provided under this heading, not to exceed $285,000,000 shall be available for performance-based contract administrators or contractors for section 8 project-based assistance, for carrying out 42 U.S.C. 1437(f):* Provided further, *That the Secretary may also use such amounts in the previous proviso for performance-based contract administrators or contractors for the administration of: interest reduction payments pursuant to section 236(a) of the National Housing Act (12 U.S.C. 1715z-1(a)); rent supplement payments pursuant to section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s); section 236(f)(2) rental assistance payments (12 U.S.C. 1715z-1(f)(2)); project rental assistance contracts for the elderly under section 202(c)(2) of the Housing Act of 1959 (12 U.S.C. 1701q); project rental assistance contracts for supportive housing for persons with disabilities under section 811(d)(2) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013(d)(2)); project assistance contracts pursuant to section 202(h) of the Housing Act of 1959 (Public Law 86–372; 73 Stat. 667); and loans under section 202 of the Housing Act of 1959 (Public Law 86–372; 73 Stat. 667):* Provided further, *That amounts recaptured under this heading, the heading "Annual Contributions for Assisted Housing", or the heading "Housing Certificate Fund", may be used for renewals of or amendments to section 8 project-based contracts or for performance-based contract administrators or contractors, notwithstanding the purposes for which such amounts were appropriated:* Provided further, *That, notwithstanding any other provision of law, upon the request of the Secretary, project funds that are held in residual receipts accounts for any project subject to a section 8 project-based Housing Assistance Payments contract that authorizes HUD or a Housing Finance Agency to require that surplus project funds be deposited in an interest-bearing residual receipts account and that are in excess of an amount to be determined by the Secretary, shall be remitted to the Department and deposited in this account, to be available until expended:* Provided further, *That amounts deposited pursuant to the previous proviso shall be available in addition* *to the amount otherwise provided by this heading for uses authorized under this heading: Provided further, That any unobligated balances made available of obligation under the heading "Department of Housing and Urban Development – Public and Indian Housing – Project-Based Rental Assistance" in chapter 10 of title I of division B of the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (Public Law 110-329; 122 Stat. 324) (as amended by section 1203 of Public Law 111-32; 123 Stat. 1859) are hereby permanently cancelled.*

Note.—A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
2019 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING FOR THE ELDERLY (SECTION 202)	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$502,400	$176,361[a/]	...	$678,761	$534,997	$701,704
2018 Annualized CR	502,400	160,534[b/]	-$3,411[c/]	659,523	523,897	605,488
2019 Request	601,000	153,637[d]	...	754,637	614,446	659,000
Change from 2018	+98,600	-6,897	+3,411	+95,114	+90,549	+53,512

a/ Carryover includes $158.9 million in unexpired unobligated balances and $17.4 million from collections realized in 2017.
b/ Carryover includes $143.5 million in unexpired unobligated balances and an estimated $17 million from recaptures and collections. It excludes $230 thousand that expired at the end of fiscal year 2017.
c/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.
d/ Carryover includes an estimated $137 million in unexpired unobligated balances and an estimated $17 million from recaptures and collections.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 President Budget request for the Housing for the Elderly (Section 202) program is $601 million which is $102 million more than the fiscal year 2018 Annualized CR Level. The Department's request will fund three ongoing activities within the Housing for the Elderly program:

- $508 million to fully fund Project Rental Assistance Contracts (PRAC) and Senior Preservation Rental Assistance Contracts (SPRAC) Renewals/Amendments in support of more than 122,000 existing units;

- $90 million to renew approximately 1,500 existing Service Coordinator/Congregate Housing Services grants; and

- $3 million for property inspections and related administrative costs.

Compared to 2018, the 2019 budget must also support 5,000 existing PRAC units that are renewing or requiring contract amendments for the first time in 2019. This additional unit demand coupled with increased project operating costs results in a significant increase in 2019 program needs relative to 2018. As described further below and in the "Enhance Rental Assistance" justification, the funding request reflects a set of policies that reduce costs while continuing to assist current residents, and the Administration will submit a legislative package of comprehensive rental assistance reforms consistent with this funding request following submission of the Budget.

The request assumes that proposed rent reform measures for Section 202 will be implemented at the start of 2019. Collections of excess residual receipts from prior years are expected to supplement the request and ensure all contracts are fully funded.

2. Request

The Housing for the Elderly (Section 202) program provides funding to create and support multifamily housing for very low-income elderly persons. Nearly 400,000 units for low-income elderly households have been produced to date. Section 202 is currently the only federal program that expressly addresses this need for affordable elderly housing. Its impact is amplified through the leverage of other housing resources such as Section 8 and Low-Income Housing Tax Credits (LIHTC). Since 2005, roughly 900 Section 202 projects have either refinanced their original Section 202 loans or had the loan reach maturity. Of that number, HUD has identified 161 projects that have obtained new FHA-insured mortgages that were linked to low-income tax credits. This represents over $600 million in new financing. In addition to this group of FHA-insured projects, other Section 202 sponsors are likely to have refinanced with conventional (non-FHA) mortgages that also relied on tax credits.

To be eligible for residency in a Section 202 unit, a household must be composed of one or more elderly persons, with a household income at or below 50 percent of the area median income. Most residents fall far below that threshold. The average annual household income for Section 202 households is approximately $13,300.[1]

<u>The program request supports two primary areas of activity:</u>
Project Rental Assistance Contracts (PRAC) and Senior Preservation Rental Assistance Contracts (SPRAC)

PRAC Renewals/Amendments provide continued assistance to tenants of Section 202 projects in which the initial PRAC has expired or all reserved funding has been disbursed. In the early stages of the Section 202 program, the initial PRAC terms were 20 years; those terms were reduced to 5 years in 1995 and further reduced to 3 years in 2006. As the initial contracts begin to expire, rental assistance is renewed on a 1-year basis with funding from the PRAC Renewal/Amendment component. A key cost driver for PRAC and SPRAC renewals is the number of new units entering the renewal portfolio for the first time. In 2019, approximately 5,000 units will be renewing for the first time. The request does not include any inflationary rent increases for renewing contracts.

Service Coordinators/Congregate Housing Services Program (CHSP)

[1] 2015 Analysis by HUD Office of Policy Development and Research of PIC and TRACS data.

Housing for the Elderly (Section 202)

A Service Coordinator is a social service staff person who is responsible for assuring that residents, especially those who are frail or at risk of becoming frail, are linked to the specific supportive services they need to continue living independently and age in place. Their primary responsibility is to help link residents of eligible housing with supportive services provided by community agencies. The Service Coordinator may also perform such activities as providing case management, acting as an advocate or mediator, coordinating group programs, or training housing management staff. CHSP is a mature program that now only funds renewals. CHSP subsidizes the cost of supportive services that are provided on-site and in the participant's home, which may include but are not limited to congregate meals, housekeeping, personal assistance, transportation, and case management.

Service Coordinator funds pay the salary and fringe benefits of a Service Coordinator and cover related program administrative costs. Annual extensions of Service Coordinator grants are to be used only to meet a critical need and in cases where no other funding source is available. Meeting a "critical need" means addressing a need that cannot be met through use of other resources. As the physical repair/replacement needs of aging properties begin to increase, HUD has noticed a decline in the number of grantees that can offset service coordination costs from other sources, leading to growth in the size of annual extension requests for established grants.

3. Justification

The Supportive Housing for the Elderly (Section 202) program provides critical support for the population of vulnerable seniors. Today, HUD is only able to provide assisted housing to one in three seniors who qualify. The demand for such programs is likely to increase as baby boomers continue to age into retirement. In addition to demand outpacing investments in elderly housing, there is a growing increase in the number of older Americans with worst case housing needs. HUD's Worst Case Housing Needs: 2017 Report to Congress reveals that among very low-income renter households that lacked assistance in 2015, 8.3 million had worst case housing needs resulting from severe rent burden (paying more than one-half of their monthly income for rent) or from living in severely inadequate housing units. Almost 1.9 million households headed by an elderly person had worst case housing needs in 2015. The proportion of elderly very low-income renters with worst case needs was 39.8 percent in 2015, representing a 2.6 percentage point increase since 2013.

An estimated 38 percent of all residents currently living in Section 202 properties could be considered "frail" or "near-frail." However, with the assistance of service coordinators, many of these residents are able to access community-based services that are designed to help them stay longer in their housing, and avoid more expensive institutional settings. Going forward, the Section 202 program intends to increasingly target housing assistance towards exactly this subset of the elderly population, given the tremendous cost-savings associated with independent living versus nursing homes or assisted living facilities.

Housing for the Elderly (Section 202)

A study of HUD's housing programs found that the average age at which elderly households leave assisted housing is the highest for Section 202 residents compared to other housing programs. The study found that housing occupied primarily by the elderly has greater success retaining residents until more advanced ages.[2] A study of service coordination found very high levels of satisfaction and it found that the presence of service coordinator staff who link residents to supportive services in the community increased residents' length of stay by 10 percent in comparison with those without access to this service.[3]

HUD has recently collaborated with the Department of Health and Human Services (HHS) on relevant research on ways housing can lead to long-term medical savings. One such study has produced a design for a demonstration on aging in place for HUD-assisted seniors. This contract, as noted above, has already produced an extensive literature review and several case studies, and these are the basis for developing a model of service and health care coordination that can be tested for its impacts on health outcomes, health care expenditures, health care service utilization, and consequences for participating properties. In addition, with MacArthur Foundation funding and HUD cooperation, the contractor is conducting a survey of HUD properties to assess the types and scope of services available in senior subsidized housing. Finally, the contractor has matched HUD-assisted seniors in 12 cities to their Medicare claims records to assess health care utilization, expenditures, and diagnoses. This is the first time that the Department has sought to match HUD administrative data with health claims data to create measures of Medicare utilization and expenditures for HUD-assisted elders.

In 2019, HUD will continue the execution of a 5-year Supportive Housing demonstration to evaluate the impact of HUD housing assistance combined with enhanced service coordination. This study relies on appropriations made in prior years.

Under the Americans with Disabilities Act and the Supreme Court's *Olmstead* decision, states are legally obligated to favor community-based and integrated settings over institutional settings for persons with disabilities, including the elderly. State Medicaid agencies are making efforts to comply with this mandate through Medicaid home and community-based "waiver" programs administered by HHS' Centers for Medicare and Medicaid Services. However, states often find themselves limited in achieving this mandate even when they have effective Medicaid waiver programs in place because the target population cannot afford the cost of renting a home in the community. In the most recent progress report of the HHS program, 20 out of 34 states reported an insufficient supply of affordable and accessible housing options to transition people from institutional settings to the community. Investments in Section 202 supportive housing align with and complement these state efforts to provide home and community-based services for elderly people with disabilities. The Department is working with HHS on several collaborative projects to increase access to affordable housing in community settings for elderly people with disabilities seeking to leave institutional settings related to the Section 202 program, such as HHS' Money Follows the Person (MFP) program.

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[2] Locke, Gretchen, Ken Lam, Meghan Henry, and Scott Brown (Abt Associates, Inc).2011. End of Participation in Assisted Housing: What Can We Learn About Aging in Place? Washington, DC: U.S. Department of Housing and Urban Development, Office of Policy Development and Research.
[3] HUD, "Multifamily Property Managers' Satisfaction with Service Coordination" 2008.

Cross-cutting Rent Reform Proposals

The current rent structure in HUD's rental assistance programs creates disincentives to employment and stable family formation, imposes large administrative burdens, generates significant costs to the Federal government, and represents a one-size-fits-all approach that does not take into consideration local community needs. HUD is committed to the reformation of its rental assistance programs with the following goals:

1. Encouraging work and stable family formation;
2. Simplifying program administration;
3. Increasing local control and choice;
4. Reducing costs to the federal government; and
5. Protecting current elderly and disabled households from adverse impacts.

In furtherance of these goals, while also continuing to assist current residents, HUD will submit a rental reform legislative proposal to Congress in March. This Budget reflects key elements of that proposal, including:

- Establishing or increasing mandatory minimum rents;
- Simplifying rent calculations and increasing tenant rent contributions;
- Preventing rent increases for the most vulnerable current tenants, the elderly and disabled, when the new rent policies are implemented;
- Limiting income recertification for all households to once every three years, which supports stable family formation and incentivizes work by deferring increases in tenant rent payments as a result of increased wages;
- Providing a hardship exemption for tenants who, in certain circumstances, are unable to pay their rents; and
- Giving PHAs and property owners the option to choose alternative rent structures, approved by the Secretary, that work best for their communities, as well as the option to implement minimum work requirements for work-able residents. These alternative rent structures must incur the same overall program costs.

Proposed funding levels, while significantly reduced from the 2017 enacted level, should support currently assisted households while strategically reshaping the Federal footprint of HUD's rental assistance programs over time. As the legislative proposal is finalized, the requested allocation of funding across rental assistance programs in 2019 may change within the existing Departmental topline. HUD will provide Congress with updates to these programs' funding levels after the proposal is released.

Please see the "Enhance Rental Assistance" justification for more information.

In addition, for 2019, HUD is implementing a one-year freeze on annual rent adjustment increases, including those using operating cost adjustments, budget-based rent increases, or updated market rent studies.

General Provisions

The President's Budget proposes the following General Provisions for the Housing for the Elderly:

- Transfers of Assistance, Debt, And Use Restrictions (Sec. 206).
- Freeze on rent adjustment increases (Sec. 226).

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Capital Advance Amendments, Other Expenses and Initial PRAC	$3,000	$19,736	$22,736	$5,807	$2,980	$16,929	$19,909	$3,000
Elderly PRAC/SPRAC Renewals/Amendments ..	414,400	88,381	502,781	419,189	411,586	100,592	512,178	508,000
Service Coordinators/Congregat Housing Service Program	75,000	48,244	123,244	90,061	74,491	33,013	107,504	90,000
Senior Preservation Rental Assistance Contracts - Expansion	10,000	...	10,000	...	9,932	10,000	19,932	...
Section 202 Demonstration	...	20,000	20,000	19,940	...	...	...	...
Total	502,400	176,361	678,761	534,997	498,989	160,534	659,523	601,000

NOTE: Columns 2017 Carryover into 2018 and 2018 Total Resources includes an estimated $17 million in recaptures and spending authority from offsetting collections for Elderly PRAC and SPRAC Renewals/Amendments.

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Appropriations Language

The fiscal year 2019 President's Budget includes the appropriation language listed below.

For amendments to capital advance contracts for housing for the elderly, as authorized by section 202 of the Housing Act of 1959, as amended, and for project rental assistance for the elderly under section 202(c)(2) of such Act, including amendments to contracts for such assistance and renewal of expiring contracts for such assistance for up to a 1-year term, and for senior preservation rental assistance contracts, including renewals, as authorized by section 811(e) of the American Housing and Economic Opportunity Act of 2000, as amended, and for supportive services associated with the housing, $601,000,000 to remain available until September 30, 2022: Provided, That of the amount provided under this heading, up to $90,000,000 shall be for service coordinators and the continuation of existing congregate service grants for residents of assisted housing projects: Provided further, That amounts under this heading shall be available for Real Estate Assessment Center inspections and inspection-related activities associated with section 202 projects: Provided further, That the Secretary may waive the provisions of section 202 governing the terms and conditions of project rental assistance, except that the initial contract term for such assistance shall not exceed 5 years in duration: Provided further, That upon request of the Secretary, project funds that are held in residual receipts accounts for any project subject to a section 202 project rental assistance contract, and that upon termination of such contract are in excess of an amount to be determined by the Secretary, shall be remitted to the Department and deposited in this account, to be available until September 30, 2022: Provided further, That amounts deposited in this account pursuant to the previous proviso shall be available, in addition to the amounts otherwise provided by this heading, for the purposes authorized under this heading: Provided further, That unobligated balances, including recaptures and carryover, remaining from funds transferred to or appropriated under this heading may be used for the current purposes authorized under this heading notwithstanding the purposes for which such funds originally were appropriated.

Note.—A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
2019 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$146,200	$81,479[a]	...	$227,679	$148,684	$170,129
2018 Annualized CR	146,200	86,805[b]	-$993[c]	232,012	164,190	184,637
2019 Request	140,000	74,822[d]	...	214,822	161,603	188,000
Change from 2018	-6,200	-11,983	+993	-17,190	-2,587	+3,363

a/ Carryover includes $72.4 million in unexpired unobligated balances and $9 million from collections realized in 2017.
b/ Carryover includes $76.8 million in unexpired unobligated balances and an estimated $10 million from recaptures and collections. It excludes $2.2 million that expired at the end of fiscal year 2017.
c/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.
d/ Carryover includes an estimated $64.8 million in unexpired unobligated balances and an estimated $10 million from recaptures and collections.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 President Budget request for the Housing for Persons with Disabilities (Section 811) program is $140 million which is $5.2 million less than the fiscal year 2018 Annualized CR Level. The Department's request will support two primary activities within the Housing for Persons with Disabilities program:

- $138 million for Project Rental Assistance Contract (PRAC) and Project Assistance Contract (PAC) renewals and amendments to fully fund over 28,000 units across 2,390 housing properties; and
- Up to $2 million for property inspections and related administrative costs.

This request reflects implementation of cost-saving measures in 2019 and minor amounts of anticipated carryover funding from prior years into 2019, allowing for full funding for all contracts in the Section 811 portfolio while reducing required appropriations and continuing to assist low-income persons with disabilities currently served by the program. The Housing for Persons with Disabilities program allows very low- or extremely low-income persons with disabilities to live independently by providing deeply affordable rental housing that is integrated into the local communities. The program targets vulnerable persons with disabilities who need affordable housing to effectively access community-based support and services, such as case management, housekeeping assistance, assistance with activities of daily living and more, to live independently in the community.

As described further below and in the "Enhance Rental Assistance" justification, the funding request reflects a set of policies that reduce costs while continuing to assist current residents, and the Administration will submit a legislative package of comprehensive rental assistance reforms consistent with this funding request following submission of the Budget.

2. Request

By helping individuals with disabilities live independently in their communities, this program avoids the costs of more expensive institutional settings and helps states comply with the Supreme Court's *Olmstead* decision. Section 811 serves very low- and extremely low-income individuals with serious and long-term disabilities, including physical or developmental disabilities as well as mental illness. More than two-thirds of Section 811 residents have developmental disabilities and chronic mental illness, and the majority of those residents came to Section 811 housing from nursing homes, hospitals and other specialized residences. Without Section 811 supportive housing, many of those served by the program would live in an institution, with aging parents, in a homeless shelter, or on the streets.

The 2019 request provides continued assistance to tenants of Section 811 projects in which the initial PRAC/PAC has expired, or all reserved funding has been disbursed. HUD estimates that from 2018 to 2019, approximately 1,000 units will require first-time amendment (during their initial term) or first-time renewal.

3. Justification

The Supportive Housing for Persons with Disabilities (Section 811) addresses the high unmet housing needs of very-low income renters with disabilities who cannot find affordable housing and experience severe housing problems. HUD's *Worst Case Housing Needs: 2017 Report to Congress* tracks the number of households with worst-case housing needs, defined as renters with very low incomes – no more than 50 percent of the Area Median Income (AMI) – who do not receive government housing assistance and who pay more than one-half of their income for rent, live in severely inadequate conditions, or both. This report reveals that of the 8.3 million very low-income households with worst case housing needs that lacked assistance in 2015, one in six include one or more non-elderly persons with disabilities. Worst case needs among such households increased by 28.0 percent from 1.09 million in 2013 to 1.39 in 2015.

Persons with disabilities often require special accommodation and support services to live independently, and finding housing that accommodates these special needs is a challenge. Approximately half of households with non-elderly persons with disabilities that have worst case housing needs have ambulatory and cognitive disabilities; and almost one-third of the households have independent living limitations.[1] Two-thirds of people with disabilities assisted by the traditional Section 811 have developmental disabilities or chronic mental illness and thus require extensive supportive services.[2]

Experts agree that there is a great need to reduce health care costs for people with disabilities and to find more cost-effective ways to provide people with disabilities community-based support and services. Affordable housing has been a key barrier to this goal: evaluations of HHS' Money Follows the Person (MFP) program have found the lack of affordable housing in the community to be a primary barrier to transitioning people out of costly institutions. In the 2017 evaluation report of MFP, 38 of 44 grantee states reported at least one challenge securing housing for MFP participants. The two most commonly reported challenges in 2016 were an insufficient supply of affordable and accessible housing and an insufficient supply of rental vouchers. The evaluation noted that grantee states have continued to cite shortages in housing and rental vouchers as key challenges since the beginning of the MFP demonstration.[3] HUD awarded a contract to conduct an independent evaluation of the cost-effectiveness of the Section 811 PRAC program compared to the traditional 811 program and to other forms of housing assistance for people with disabilities. Until HUD obtains the results from this evaluation (expected in 2019), the evaluation of the Money Follows the Person (MFP) program offers a glimpse of possible cost reductions from moving people with disabilities from institutions to the community. Estimates indicate that the transitions through the end of 2013 (the sixth year of MFP transitions) generated health care cost savings in the range of $204 to $978 million depending on the number of transitions attributable to the MFP demonstration.[4]

Nationally, there are an estimated 188,000 non-elderly persons who live in nursing homes and are eligible for MFP (people that live in an institution for more than 90 consecutive days) and could potentially be transitioned to a Section 811 unit.[5] The Genworth 2017 Cost of Care Survey estimates the national average cost of a semi-private room in a nursing home at $85,775 per year. The cost of

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[1] Worst Case Housing Needs: 2017 Report to Congress. Washington DC: U.S. Department of Housing and Urban Development. 2017.

[2] Locke, G., C. Nagler, K. Lam. Implications of Project Size in Section 811 and Section 202 Assisted Projects for Persons with Disabilities. Washington, DC: U.S. Department of Housing and Urban Development. 2005. Also Applied Real Estate Analysis (AREA). *Evaluation of Supportive Housing Programs for Persons with Disabilities, volume I and II*. Washington, DC: U.S. Department of Housing and Urban Development. 1996.

[3] Coghlin, R., Ward, J., Denny-Brown, N., Hagen, B., Maurer, K., Morris, E., Smoot, J., Steiner, A., Perez, B. 2017. Money Follows the Person Demonstration: Overview of State Grantee Progress, January to December 2016. Cambridge MA: Mathematica Policy Research. September 2017. Retrieved from https://www.mathematica-mpr.com/our-publications-and-findings/publications/money-follows-the-person-demonstration-overview-of-state-grantee-progress-january-to-december-2016

[4] Irvin, C.V., Denny-Brown, N., Bohl, A., Wysocki, A., Stewart, K., Coughlin, R., Williams, R., Smoot, J., Steiner, A., Peebles, V. 2017. Money Follows the Person 2015 Annual Evaluation Report. Cambridge, MA: Mathematica Policy Research. May 2017. Retrieved from https://www.mathematica-mpr.com/our-publications-and-findings/publications/money-follows-the-person-2015-annual-evaluation-report.

[5] Irvin, C.V., Denny_Brown, N., Morris, E., Postman, C. 2016. Pathways to Independence: Transitioning Adults Under Age 65 From Nursing Homes to Community Living. December 2016. Retrieved from https://www.mathematica-mpr.com/our-publications-and-findings/publications/pathways-to-independence-transitioning-adults-under-age-65-from-nursing-homes-to-community-living

this type of facility has been increasing annually at a rate of 3 percent in recent years.[6] Past studies of the traditional Section 811 have shown that projects are in high demand, with rare vacancies and very low turnover.[7]

Cross-cutting Rent Reform Proposals

The current rent structure in HUD's rental assistance programs creates disincentives to employment and stable family formation, imposes large administrative burdens, generates significant costs to the Federal government, and represents a one-size-fits-all approach that does not take into consideration local community needs. HUD is committed to the reformation of its rental assistance programs with the following goals:

1. Encouraging work and stable family formation;
2. Simplifying program administration;
3. Increasing local control and choice;
4. Reducing costs to the federal government; and
5. Protecting current elderly and disabled households from adverse impacts.

In furtherance of these goals, while also continuing to assist current residents, HUD will submit a rental reform legislative proposal to Congress in March. This Budget reflects key elements of that proposal, including:

- Establishing or increasing mandatory minimum rents;
- Simplifying rent calculations and increasing tenant rent contributions;
- Preventing rent increases for the most vulnerable current tenants, the elderly and disabled, when the new rent policies are implemented;
- Limiting income recertification for all households to once every three years, which supports stable family formation and incentivizes work by deferring increases in tenant rent payments as a result of increased wages;
- Providing a hardship exemption for tenants who, in certain circumstances, are unable to pay their rents; and
- Giving PHAs and property owners the option to choose alternative rent structures, approved by the Secretary, that work best for their communities, as well as the option to implement minimum work requirements for work-able residents. These alternative rent structures must incur the same overall program costs.

Proposed funding levels, while significantly reduced from the 2017 enacted level, should support currently assisted households while strategically reshaping the Federal footprint of HUD's rental assistance programs over time. As the legislative proposal is finalized,

[6] Genworth. 2017 Genworth Cost of Care Survey. Retrieved from https://www.genworth.com/about-us/industry-expertise/cost-of-care.html

[7] Applied Real Estate Analysis (AREA). *Evaluation of Supportive Housing Programs for Persons with Disabilities, volume I and II*. Washington, DC: U.S. Department of Housing and Urban Development. 1996.

the requested allocation of funding across rental assistance programs in 2019 may change within the existing Departmental topline. HUD will provide Congress with updates to these programs' funding levels after the proposal is released.

Please see the "Enhance Rental Assistance" justification for more information.

In addition, for 2019, HUD is implementing a one-year freeze on annual rent adjustment increases, including those using operating cost adjustments, budget-based rent increases, or updated market rent studies.

General Provisions

The President's Budget proposes the following General Provisions for Housing for Persons with Disabilities:

- Transfers of Assistance, Debt, And Use Restrictions (Sec. 206).
- Freeze on rent adjustment increases (Sec. 226).

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Capital Advance Amendments, Other Expenses and Initial PRAC	$2,000	$14,529	$16,529	$664	$1,986	$15,865	$17,851	$2,000
Disabled PRAC/PAC Renewal/Amendment ..	144,200	63,053	207,253	148,020	143,221	69,233	212,454	138,000
Project Rental Assistance Demonstration (PRAD) .	...	3,600	3,600	...	...	1,410	1,410	...
PIH Amendment/Renewal of Mainstream Vouchers (Tenant-Based)	...	297	297	...	...	297	297	...
Total	146,200	81,479	227,679	148,684	145,207	86,805	232,012	140,000

NOTE: Columns 2017 Carryover into 2018 and 2018 Total Resources include an estimated $10 million in recaptures and spending authority from offsetting collections for Disabled PRAC/PAC Renewals/Amendments.

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Appropriations Language

The fiscal year 2019 President's Budget includes the appropriation language listed below.

For amendments to capital advance contracts for supportive housing for persons with disabilities, as authorized by section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013), as amended, and for project rental assistance for supportive housing for persons with disabilities under section 811(d)(2) of such Act and for project assistance contracts pursuant to section 202(h) of the Housing Act of 1959 (Public Law 86–372; 73 Stat. 667), including amendments to contracts for such assistance and renewal of expiring contracts for such assistance for up to a 1-year term, for project rental assistance to State housing finance agencies and other appropriate entities as authorized under section 811(b)(3) of the Cranston-Gonzalez National Housing Act, and for supportive services associated with the housing for persons with disabilities as authorized by section 811(b)(1) of such Act, $140,000,000, to remain available until September 30, 2022: Provided, That amounts made available under this heading shall be available for Real Estate Assessment Center inspections and inspection-related activities associated with section 811 projects: Provided further, That, upon the request of the Secretary, project funds that are held in residual receipts accounts for any project subject to a section 811 project rental assistance contract and that upon termination of such contract are in excess of an amount to be determined by the Secretary shall be remitted to the Department and deposited in this account, to be available until September 30, 2022: Provided further, That amounts deposited in this account pursuant to the previous proviso shall be available in addition to the amounts otherwise provided by this heading for the purposes authorized under this heading: Provided further, That unobligated balances, including recaptures and carryover, remaining from funds transferred to or appropriated under this heading may be used for the current purposes authorized under this heading notwithstanding the purposes for which such funds originally were appropriated.

Note.—A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

HOUSING
HOUSING COUNSELING ASSISTANCE
2019 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING COUNSELING ASSISTANCE	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$55,000	$2,046 a/	...	$57,046	$52,680	$42,517
2018 Annualized CR	55,000	3,976 b/	-$374 c/	58,602	55,623	51,969
2019 Request	45,000	2,980	...	47,980	44,112	52,064
Change from 2018	-10,000	-996	+374	-10,622	-11,511	+95

a/ 2017 carryover includes recaptures totaling $350 thousand.
b/ 2018 carryover does not include $391 thousand that expired in 2017.
c/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 President's Budget request for the Housing Counseling Program is $45 million, which is $9.6 million less than the 2018 Annualized CR Level. Funding at this level will permit the Office of Housing Counseling (OHC) to meet almost 950,000 consumers' needs; to improve their housing quality and affordability through budgeting, saving, use of credit, and understanding the rights and responsibilities of homeownership and tenancy.

2. Request

This funding request will support the following key priorities:

- Grants to local providers. $38.5 million will be distributed competitively to support the direct provision of a holistic range of housing counseling services that are appropriate to local market conditions and individual consumer needs. These funds will help to provide quality counseling services to approximately 950,000 consumers in 2019.
- Training of counselors. An additional $2 million will be used to strengthen the quality of housing counseling through training for organizations and counselors that increase subject matter expertise, ensuring counseling is effective and efficient.

- Administrative Contracts. The remaining $4.5 million will be used to further streamline internal processes, enhance agency oversight, measure the impact of counseling services, increase consumer and real estate professionals' awareness of the program, and support the work of the Federal Advisory Committee.
- Implement statutory certification requirements. This funding request will sustain and improve the roster of HUD-approved housing counselors as required by statute to help ensure consumers have access to the highest quality counseling services. Under current law, any housing counseling required under or provided in connection with all HUD programs must be carried out by HUD Certified Housing Counselors. HUD published a final rule to implement the certification process on December 14, 2016 and began testing and certifying housing counselors in August 2017. Counselors have until August 1, 2020 to comply with the testing and certification requirements. In 2018 and 2019 OHC will continue implementing an outreach strategy for certification to educate our stakeholders through nationally broadcast training webinars and outreach presentations. In addition, HUD's Office of Housing Counseling is collaborating with other HUD Program Offices to educate stakeholders who are impacted by the requirements of the final rule.
- Federal Advisory Committee. This funding request will support the Congressionally Mandated Housing Counseling Federal Advisory Committee. The Committee was launched in 2016 and will meet at least twice each year. In 2017, the new Committee members received an extensive orientation; met with families who worked with HUD housing counseling agencies to achieve their housing goals; and met three additional times to gather information and provide recommendations to HUD. In 2017, the Committee identified two areas of interest: increasing awareness of the value of HUD housing counseling, and incorporating housing counseling into the mortgage process. HUD has launched activities to expand visibility and awareness of the program in response to the Committee's work.
- Research effective counseling techniques. In 2017 HUD published a baseline report from its large-scale, randomized, multi-year experiment to assess the impact of homebuyer education and counseling reliably for a diverse sample of more than 5,800 low-, moderate-, and middle income prospective first-time homebuyers in 20 U.S. metropolitan areas. Early insights are promising (see below for more detail) and the study will continue during 2019.
- Increase the visibility and awareness of the HUD Housing Counseling Program. In 2019 OHC will continue to work on increasing the public's awareness of the benefits of housing counseling; changing perceptions of housing counseling; motivating behaviors that lead to housing counseling; and creating partnerships with stakeholders to make housing counseling resources readily available.

3. Justification

Through HUD's Housing Counseling Program, families are given tools to improve their financial situation, address their current housing needs and pursue their housing and financial goals over time. Housing counseling (delivered in accordance with HUD program standards) ranges from addressing the crises of homelessness or foreclosure, to planning for first-time home purchases or setting up matched savings accounts. In fiscal year 2017 (3rd quarter) the HUD-approved housing counseling network of 1,842 agencies assisted over 880,000 individuals and families across the country. Approximately 50 percent were racial minorities, 18 percent were Hispanic, and nearly 60 percent were low to moderate income.

Housing Counseling plays a critical role in filling gaps in the housing market and providing valuable services to underserved communities across the country. For families affected by disasters, housing counselors provide access to public and private resources and assistance with the difficult decision of whether to rebuild or relocate. The Department will need to address challenges posed by tight mortgage markets, out-of-reach rental and purchase prices in many markets, student loan debts, and misinformation and fraud. Consumers will continue to need a trusted advisor who can help them recover from recession-related housing loss, student and consumer debt, and unemployment and regain their ability to budget, save and borrow. HUD-approved housing counseling agencies across the country are experiencing a shift in service delivery from delinquency prevention counseling to pre-purchase homeownership counseling. Data shows that the percent of services dedicated to pre-purchase counseling cases has increased from 19 percent in 2016 to 23 percent in the third quarter of 2017, while delinquency and default cases have shrunk from approximately 26 percent to about 22 percent.

Housing counselors are skilled and experienced professionals with knowledge of the many federal, state and local programs in their local markets. Housing counselors can correct myths for first-time homebuyers, teach them the steps of the purchase process, and help them decide whether homeownership is right for their unique situation. Counselors work with homelessness-prevention programs and help homeless families in shelters to find more permanent housing at less cost to the government. They understand the latest foreclosure prevention initiatives and have special escalation channels for cases that require additional review. For homeowners that have lost their homes, counseling provides assistance with credit restoration, access to charitable funding for moving expenses, education about rights and responsibilities of tenancy, and connection to rental opportunities. In all cases, housing counselors inform clients of their responsibilities as tenants and owners, to help them make changes to their short-term and long-term spending habits to meet their housing needs and to connect them to other types of assistance and support. Most importantly, housing counselors have a duty to their clients to provide unbiased and objective information and are an important safeguard against fraud and scams.

Housing counseling services will be essential to help create sustainable homeownership and improved outcomes for homebuyers.

<u>Key Partners and Stakeholders</u>

HUD's housing counseling program works closely with other HUD programs, including those in the Federal Housing Administration, and with numerous federal, state and city programs as well as private initiatives to leverage dollars and resources to improve families housing situations. OHC has strengthened its relationship with the Office of Single Family Housing (OSFH) and is seeking to ensure a more pronounced use of counseling in the loan origination and servicing spaces. OHC has met with other federal agencies, government sponsored enterprises and stakeholders in the private sectors to promote the use of HUD-approved housing counseling agencies in other programs. For example, OHC has worked with the Mortgage Industry Standards Maintenance Organization

(MISMO) to define housing counseling information fields that will become standard fields for the transfer of information among lender automated systems. The goal is not only to increase the visibility of counseling but also to incorporate counseling in the mortgage process and improve the collection of counseling information. Also in recent years organizations such as Fannie Mae and Wells Fargo have launched new loan programs requiring the use of HUD-approved housing counseling agencies. OHC worked to incorporate housing counseling questions and a housing counseling acknowledgement in to the Uniform Residential Loan (URLA) which was recently redesigned and released in 2018. In addition, OHC currently plans to publish models for how public and private funding can support housing counseling in an effort to help expand financial sustainability and promote public-private partnerships for HUD-approved housing counseling agencies.

Effects of Housing Counseling

OHC has performance metrics and measurable outcomes in place to demonstrate the impact of housing counseling services provided by its HUD-approved Housing Counseling network. Program activity is reported to the Department by HUD-approved housing counseling agencies on a quarterly basis and published quarterly on HUD's website.

The following reflects Housing Counseling data through the third quarter of 2017:

- Over 880,000 consumers received individual counseling and education services;
- Foreclosure prevention represented approximately 22 percent of the counseling provided (a decrease from 26 percent in 2016);
- Pre-purchase counseling services represented 23 percent (an increase from 19 percent in 2016);
- Almost 10,000 households received homeless assistance counseling;
- Over 7,500 homeless or potentially homeless households obtained temporary or permanent housing;
- More than 132,000 households improved their financial capacity (e.g. increased discretionary income, decreased debt load, increased savings, increased credit score);
- Counselors helped 256,000 households develop sustainable budgets; and
- Over 132,000 households gained access to resources to help them improve their housing situation (e.g. down payment assistance, rental assistance, utility assistance, etc.).

Independent research continues to show that consumers who work with a HUD-approved housing counseling agency have significantly better outcomes (savings, credit score, delinquency, foreclosure avoidance for example) than similar consumers who are not counseled. In 2017 HUD published a baseline report from it large-scale, randomized experiment to assess the impact of homebuyer education and counseling reliably for a diverse sample of over 5,800 low-, moderate-, and middle income prospective first-time homebuyers in 28 U.S. metropolitan areas. The researchers found positive and statistically significant impacts on three of the four short-term outcomes tested, which included improved mortgage literacy, greater appreciation for communication with lenders and improved underwriting qualifications. The reasonable take-up rates, extensive qualitative data from 14 focus groups held in 4 cities, and the high response rate to the 12-month follow-up survey demonstrate the material significance of the preliminary findings and how homebuyer education and counseling resonate with the diverse sample of prospective first-time homebuyers. The consensus from focus groups indicates that the study participants believe there is a strong value of the education and counseling services, but that barriers to participate exist in terms of scheduling, convenience, and awareness of the availability of services. The response rate to the 12-month follow-up survey is 78.1 percent, with 4,535 out of 5,804 study participants completing the telephone survey. This indicates a very vested study participant sample and HUD is well-positioned to produce causal estimates of the impacts of homebuyer education and counseling.

Increasing Efficiency and Effectiveness of the Housing Counseling Program

OHC plans to continue to design and implement program improvements to help accessibility and efficiency of housing counseling through streamlining and through further reduction in administrative burdens to agencies and consumers. OHC is working with the Office of Housing and the Office of the Chief Information Officer (OCIO) to develop an on-line technology solution which will streamline HUD's internal processes, modernize its reporting and analysis capabilities, enhance counseling agency oversight and document the impact and outcomes of counseling services. The first two modules of this on-line platform were designed in 2017 and deployment to HUD staff will begin in 2018. OHC also worked with the Office of Housing and the OICO to develop a roadmap, consisting of defined projects with associated cost estimates to modernize OHC applications and business processes that will continue to be implemented as funds are made available.

HOUSING
HOUSING COUNSELING ASSISTANCE
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Housing Counseling Assistance	$50,500	$230	$50,730	$50,624	$50,157	$126	$50,283	$40,500
Administrative Contract Services	4,500	1,816	6,316	2,056	4,469	3,850	8,319	4,500
Total	55,000	2,046	57,046	52,680	54,626	3,976	58,602	45,000

HOUSING
HOUSING COUNSELING ASSISTANCE
Appropriations Language

The fiscal year 2019 President's Budget includes the proposed appropriation language listed below.

For contracts, grants, and other assistance excluding loans, as authorized under section 106 of the Housing and Urban Development Act of 1968, as amended, $45,000,000 to remain available until September 30, 2020, including up to $4,500,000 for administrative contract services: Provided, That funds shall be used for providing counseling and advice to tenants and homeowners, both current and prospective, with respect to property maintenance, financial management/literacy, and such other matters as may be appropriate to assist them in improving their housing conditions, meeting their financial needs, and fulfilling the responsibilities of tenancy or homeownership; for program administration; and for housing counselor training: Provided further, That for purposes of providing such grants from amounts provided under this heading, the Secretary may enter into multiyear agreements as appropriate, subject to the availability of annual appropriations.

Note. —A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

HOUSING
OTHER ASSISTED HOUSING
(RENT SUPPLEMENT AND RENTAL HOUSING ASSISTANCE (SECTION 236))
2019 Summary Statement and Initiatives
(Dollars in Thousands)

OTHER ASSISTED HOUSING	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$20,000	$32,788 a/	...	$52,788	$22,285	$152,875
2018 Annualized CR	20,000	18,764 b/	-$136 c/	38,628	8,108	141,000
2019 Request	5,000	32,520 d	...	37,520 e	3,000	118,000
Change from 2018	-15,000	+13,756	+136	-1,108	-5,108	-23,000

a/ Carryover amount excludes transfer of $36.3 million from Other Assisted Housing ($11.3 million from Rent Supplement and $25 million from RAP) to Project-Based Rental Assistance for subsidy payments for units converting under the Rental Assistance Demonstration (RAD) program.
b/ Carryover amount also includes an estimated $4 million in recaptures, and an estimated transfer of $16.4 million from Other Assisted Housing to Project-Based Rental Assistance for subsidy payments for units converting under the RAD program.
c/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.
d/ Carryover amount includes an estimated $2 million in recaptures.
e/ Amount includes an estimated transfer of $3.65 million from Other Assisted Housing to Project-Based Rental Assistance for subsidy payments for units converting under the RAD program.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Department requests $5,000,000 for the Rental Assistance Program (Section 236) (RAP) and Rent Supplement Program (Rent Supp) in 2019 to ensure that up to 461 families in five remaining properties continue to pay affordable rents. The 2019 President's Budget of $5,000,000, is $9,000,000 less than the fiscal year 2018 Annualized CR level. The decreased request reflects a significantly diminished portfolio as RAP and Rent Supp contracts have almost entirely expired, many of which have converted to long-term project-based Section 8 contracts through the Rental Assistance Demonstration (RAD). The requested funds represent amounts sufficient to:

- Support amendments to State-aided Section 236 Rental Assistance Payment (RAP) contracts in 2019, and
- Support short-term extensions of expiring RAP or Rent Supp contracts that will be in the process of converting under RAD, where they can more readily access private financing to make property improvements.

2. Request

The Other Assisted Housing supports two programs:

- RAP: The RAP program was established by the Housing and Community Development Act of 1974 to provide additional rental assistance subsidy to property owners on behalf of very low-income tenants. RAP was available only to Section 236 properties (properties where HUD made interest reduction payments to the mortgagee for the production of low-cost rental housing). HUD stopped issuing new RAP contracts with the introduction of Section 8. However, the Department is required to fund RAP contracts on non-insured, State-aided Section 236 projects through the end of their contracts, providing amendment funding when the amount initially appropriated proves to be insufficient. In addition, HUD may provide short-term extensions of these contracts so that they can participate in RAD.

- Rent Supp: Section 101 of the Housing and Urban Development Act of 1965 authorized rent supplements on behalf of needy tenants living in privately owned housing and was the first Project-Based Assistance program for mortgages insured by the Office of Housing. These contracts were available to Section 221(d)(3) Below Market Interest Rates (BMIR), Section 231, Section 236 (insured and non-insured), and Section 202 properties for the life of the mortgage. Eligible tenants pay 30 percent of the gross rent or 30 percent of the household's adjusted monthly income toward the rent, whichever is greater. The difference between the tenant payment and the economic rent approved by the Department is made up by a Rent Supplement payment made directly to the project owner. The last Rent Supp property eligible for amendment funding expired in 2017. HUD has been providing short-term extensions of these contracts so that they can participate in RAD.

As RAP and Rent Supp properties convert to Project-Based Rental Assistance under RAD, HUD uses a portion of the funds that would have otherwise been spent on amendments or extensions to provide initial funding for the new Section 8 contract.

The $5 million included in this request would cover the costs associated with the above purposes.

3. Justification

RAP and Rent Supp contracts support critical affordable housing and rental assistance for vulnerable populations (low-income families and elderly) across the country. To effectively support this population, the Department continues to request appropriations for remaining contracts, while simultaneously working to streamline and consolidate the programs onto the project-based Section 8 platform via the Rental Assistance Demonstration. This improvement would simplify the administration of properties for both the owners and HUD, and better allow the owners to access private capital to make improvements to the properties. As of December 2017, 199 RAP and Rent Supp properties (24,429 units) have converted through RAD to long-term Section 8 contracts. By 2019, HUD expects to have converted the majority of any remaining Rent Supp and RAP contracts, though some may remain. Conversions of Rent Supp and RAP properties through RAD are partially funded through transfers from the Rental Housing Assistance account.

The amount requested is a conservative level to ensure that HUD has resources available to provide short-term contract extensions or amendment funding for properties that have not yet completed conversion under RAD.

The Department has implemented three strategies to preserve the affordability of these assisted units and/or to prevent displacement or rent increases for low-income residents. The first strategy, aimed at the long-term preservation of these properties and authorized as part of RAD, allows owners to convert to long-term Section 8 contracts (either Project-Based Vouchers or Project-Based Rental Assistance) to preserve the properties as affordable housing. Authority enacted in the fiscal year 2015 appropriations bill provided Rent Supplement and RAP properties the option to convert to long-term Project-Based Rental Assistance (PBRA) contracts via RAD, using: (1) amounts remaining on the contracts of converting projects, (2) funding that might otherwise be used to provide contract extensions and rent amendments for converting projects, and/or (3) amounts from tenant protection vouchers. Therefore, while the amount of the 2019 funding request is based on projected extension and amendment needs in 2019, a portion of the funding may also be used to support Rent Supp and RAP conversions to project-based contracts via RAD.

Under the second strategy, which supports the first, HUD offers short-term contract extensions of up to 12 months, as authorized in recent appropriations bills and as proposed again in this request. These extensions provide time for owners to obtain new financing for the property to maintain it as affordable housing while maintaining a RAD conversion transaction. If the owner is uninterested in maintaining the property as affordable housing, a third strategy provides tenant protection vouchers to eligible residents at the time of expiration of the Rent Supp or RAP contract, to safeguard low-income residents from rent increases or displacement.

The Department's request will continue an approach that combines the resources and lessons learned from all three strategies, while maintaining owners' options for preserving and streamlining projects onto a project-based platform. The funding request would allow the Department to continue to support the Rent Supp and RAP contracts during the conversions and streamlining process, either via short-term contract extensions (less than 12 months), or via contract rent amendments. Contract extensions will only be provided to projects that will otherwise expire in 2019, and require additional time to plan for a conversion via RAD.

HOUSING
RENTAL HOUSING ASSISTANCE
(RENT SUPPLEMENT AND RENTAL HOUSING ASSISTANCE (SECTION 236))
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Rent Supplement	$4,725	$13,528	$18,253	$4,237	$9,932	$2,755	$12,687	$2,500
Rental Housing Assistance (Sec 236) .	15,275	42,563	57,838	18,048	9,932	19,449	29,381	2,500
Section 235	...	13,000	13,000	...	...	13,000	13,000	...
Rental Assistance Demonstration (Transfer)	...	-36,303	-36,303	...	...	-16,440	-16,440	...
Total	20,000	32,788	52,788	22,285	19,864	18,764	38,628	5,000

HOUSING
RENTAL HOUSING ASSISTANCE
(RENT SUPPLEMENT AND RENTAL HOUSING ASSISTANCE (SECTION 236))
Appropriations Language

The fiscal year 2019 President's Budget includes the appropriation language listed below.

For amendments to contracts under section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s) and section 236(f)(2) of the National Housing Act (12 U.S.C. 1715z-1) in State-aided, noninsured rental housing projects, $5,000,000, to remain available until expended: Provided, That such amount, together with unobligated balances from recaptured amounts appropriated prior to fiscal year 2006 from terminated contracts under such sections of law, and any unobligated balances, including recaptures and carryover, remaining from funds appropriated under this heading after fiscal year 2005, shall also be available for extensions of up to one year for expiring contracts under such sections of law.

Note.—A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

HOUSING
FHA-MUTUAL MORTGAGE INSURANCE FUND
2019 Summary Statement and Initiatives
(Dollars in Thousands)

FHA--MUTUAL MORTGAGE & COOPERATIVE MGMT. HOUSING INSURANCE FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$130,000	$49,222[a]	...	$179,222	$132,592	$105,628
2018 Annualized CR	130,000	39,886[b]	-$883[c]	169,003	126,557	110,475
2019 Request	150,000[d]	44,000[e]	...	194,000	140,000	112,000
Change from 2018	+20,000	+4,114	+883	+24,997	+13,443	+1,525

a/ Carryover includes $47.74 million carried forward and $1.48 million recaptured during fiscal year 2017.

b/ Carryover includes an estimated $3 million of recaptures during fiscal year 2018 but does not include $9.74 million of unobligated balances that expired in fiscal year 2017.

c/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.

d/ The 2019 Budget proposes an Single Family Housing (SFH) IT fee estimated to produce $20 million in offsetting collections.

e/ Carryover includes $41 million carried forward and $3 million estimated to be recaptured during fiscal year 2019.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 President’s Budget request for the Mutual Mortgage Insurance (MMI) Fund includes $150 million for administrative expenses, which is offset by $20 million in collections from a new single family information technology fee on lenders; $400 billion in loan guarantee commitment authority; and $1 million in direct loan commitment authority. Since 1934, mortgage insurance provided by FHA has made financing available to individuals and families not adequately served by the conventional private mortgage market. Through the MMI Fund, the Department offers several types of single family forward (traditional) mortgage insurance products and Home Equity Conversion Mortgages (HECM) (reverse mortgages) for seniors. Activity for the Cooperative Management Housing Insurance (CMHI) Fund – which insures mortgages for multifamily cooperatives – is also reported together with the MMI Fund. FHA has served over 3.0 million families during the past three fiscal years with:

- Over 2.5 million forward purchase loans;
- Over 1.1 million refinances – resulting in reduced loan terms or monthly payments; and
- Over 162 thousand HECM loans, enabling seniors to stay in their homes.

Over the past 3 years, FHA has endorsed purchase loans for 2.1 million first-time buyers, or 82 percent of its total purchase loan endorsements during this period. Many of these families would otherwise not have been served by the conventional mortgage market, providing crucial access to homeownership for these families.

2. Request

The 2019 request for MMI includes four components:

- Commitment authority for up to $400 billion in new loan guarantees. The 2019 Budget requests $400 billion in loan guarantee commitment limitation, which is to remain available until September 30, 2020. This limitation includes sufficient authority for insurance of single family mortgages and mortgages under the HECM program. Total loan volume projected for all MMI programs for 2019 is $242 billion. Of that total, $230 billion is estimated for standard forward mortgages and $12 billion is for Home Equity Conversion Mortgages (HECM). The size of the request and 2-year availability for this commitment authority reduces the likelihood of program disruption under a continuing resolution or greater than expected volume.

- Negative Subsidy Receipts. The $242 billion in loan volume projected for the entire MMI portfolio in 2019 is expected to generate $7.4 billion in negative subsidy receipts, which are transferred to the MMI Capital Reserve account, where they are available to cover any projected cost increases for the MMI portfolio.

- Appropriations for Administrative Contracts. The Department requests an appropriation of $150 million, offset by estimated collections of $20 million from a proposed information technology fee assessed to lenders. These resources will allow FHA to modernize its outdated systems, become a more reliable partner to lenders, and ultimately serve its mission more effectively. The request asks for a transfer of up to $20 million from this account to the Information Technology Fund to be used for these purposes.

- Commitment authority for up to $1 million in direct loans to facilitate single family property disposition. The loan authority requested would provide short-term purchase money mortgages for non-profit and governmental agencies. It would enable these entities to make HUD-acquired single family properties available for resale to purchasers with household incomes at or below 115 percent of an area's median income. This program has been infrequently utilized in recent years due to the shortage of state/local government subsidies needed to offset participant's development costs associated with administering the program. Nonetheless, the program remains a valuable tool for HUD supporting affordable homeownership opportunities in distressed communities while responsibly managing its real estate owned (REO) inventory of properties.

3. Justification

FHA provides mortgage insurance on single family mortgage loans made by FHA-approved lenders throughout the United States and its territories. FHA remains active and viable in all markets during times of economic disruption, playing an important counter-cyclical role until private capital returns to its normal levels. Throughout the housing crisis that began in 2007, for example, FHA provided key support for the national mortgage market and helped mitigate the foreclosure crisis and the overall economic downturn.

FHA strives to meet the needs of many creditworthy first-time and minority homebuyers who, without the FHA guarantee, could find mortgage credit to be prohibitively expensive or unavailable. FHA mortgage insurance enhances a borrower's credit and provides banks and other lenders with better access to capital markets, most notably through Ginnie Mae securities.

In exchange for adherence to strict underwriting and application requirements established by HUD and the payment of insurance premiums, HUD-approved lenders can file claims with FHA when a borrower defaults. Mortgage insurance premiums and specific terms for claim payments vary by program. With a strong loss mitigation program, FHA insurance has played a key role in mitigating the effect of economic downturns on the real estate sector.

FHA has insured over 47.5 million home mortgages since 1934. As of September 30, 2017, the MMI insurance portfolio included 7.9 million loans with an unpaid principal balance exceeding $1.2 trillion.

For budgetary purposes, the programs of the MMI Fund are broken into two risk categories (Forward Mortgages and HECM), each are discussed below:

<u>Forward Mortgage Insurance and Guaranteed Loans</u>. Single family programs provide mortgage insurance for the purchase and refinance of homes with one to four units. Loan products under this category include single family forward mortgages (Section 203(b)), condominiums, homes purchased on Indian and Hawaiian lands, and rehabilitation loans (Section 203(k)). Maximum mortgage amounts insured by FHA are calculated annually by HUD and are generally tied to 115 percent of the median house price in each county.

With 90 percent of the total $268.7 billion in insurance endorsements for the MMI Fund under Section 203(b) during 2017, the single-family program is the largest FHA insurance program authorized under the National Housing Act.

HECM. FHA's HECM program provides senior homeowners age 62 and older access to FHA-insured reverse mortgages, which enable seniors to access equity in their homes to support their financial and housing needs as they age. The HECM program fills a special niche in the national mortgage market and offers critical opportunities for the nation's seniors to utilize their own assets and resources to preserve their quality of life. The HECM program provides options to seniors to access their equity through monthly payments, draws from a line of credit, a combination of these options, or one-time draws at closing. Unlike a forward mortgage, the HECM borrower does not make payments on the loan and the loan does not become due and payable until the last remaining mortgagor no longer occupies the property or fails to comply with other requirements of the loan such as payment of property taxes and insurance.

The HECM program was introduced as a "demonstration" program in 1987 and became a permanent HUD program in 1998. Eventually, in 2006, a statutory aggregate cap of 275,000 HECM loan guarantees was put in place. It has been necessary to lift this cap on an annual basis through the appropriations process. In addition to requesting commitment authority for HECM, the Budget will again propose permanently lifting the cap of 275,000 loan guarantees to provide further stability for the HECM program. This proposal reflects the significant improvements that have been made to the program to reduce risk to the MMI Fund and to ensure responsible lending to seniors.

During the housing crisis, seniors were significantly impacted by the recession and falling home prices and, as with Forward Mortgages, risk to the MMI Fund increased. Since the passage of the Reverse Mortgage Stabilization Act in 2013, FHA has implemented several changes to strengthen and enhance the HECM program; further changes are being evaluated for 2019. These changes have included limiting upfront draws, changes to the mortgage insurance premium structure to encourage lower initial draws and a shift to Adjustable Rate HECMs which encourage borrowers to access funds as they need them, preserving equity to support them over time. A Financial Assessment is now required for all HECM Mortgagors.

Administrative Contract Appropriations. The $150 million request for 2019 will provide funding for contracts necessary in the administration of FHA programs operating under MMI and GI/SRI. This request will fund activities including, but not limited to: insurance endorsement of Single Family mortgages, construction inspections on multifamily projects, the required annual FHA independent actuarial review and financial audit, management and oversight of asset disposition, risk analysis, accounting support, and assistance with claims and premium refund processing.

In the private market, the technological advances in the housing finance industry have enhanced loan origination, servicing and lender monitoring capabilities. Because of a constrained fiscal environment, FHA has not kept pace with these trends and continues to rely on antiquated technology and is forced to use a patchwork approach to insurance endorsement, claims payments and risk management. The systems in the origination component of FHA's Single-Family mortgage insurance operations have an average age approaching 20 years, and the age of one key system exceeds 40 years. Similarly, the systems supporting the servicing, default, claims and REO areas have an average age of 14 years and are extremely inflexible in their capabilities. This places the MMI Fund at significant risk, and hampers FHA's ability to effectively partner with the industry. There were 73 outages of FHA's origination systems during 2017, with durations lasting as long as five days. This has crippled the ability of FHA lenders to originate loans, harming their profitability and preventing FHA from efficiently serving its mission.

The requested $21 million increase over the 2018 annualized CR will be offset by a proposed IT fee on lenders that will generate an estimated $20 million in collections. This modest fee of no more than $25 per loan would apply on a prospective and calendar year basis and expire after four years. The higher requested appropriations facilitated by the fee will be used to modernize systems that the industry is currently using at no cost, and it will save the taxpayer a significant amount of money, as the antiquated systems are far beyond their useful lives and have become prohibitively expensive to maintain.

FHA requires systems that can capture and effectively process the extensive volumes of data now in use, enhanced storage and processing capabilities to handle the migration from paper forms to digital ones and the ability to analyze and manage insured loans comprehensively over the many phases of the mortgage life cycle in order to effectively manage risk and allow FHA to make data-driven decisions. This will allow FHA to more effectively manage risk to the MMI Fund and protect taxpayers.

The request asks for a transfer of up to $20 million from this account to the Information Technology Fund to be used for these purposes. The proposed SFH-IT Fee is not to exceed $25 per mortgage endorsed or submitted for endorsement by FHA-approved mortgagees during the calendar year. FHA proposes to exempt small lenders, which are anticipated to endorse 20 percent of the overall volume in 2019, from being assessed this fee.

General Provisions

The President’s budget proposes the following General Provisions for the Mutual Mortgage Insurance Fund:

- CAP ON NUMBER OF HECM LOANS.— This provision removes the limitations placed on Home Equity Conversion Mortgages (HECMs) that can be insured by the FHA (Sec. 208).

- Eminent Domain. – This provision prohibits HUD from guaranteeing mortgages or mortgage-related securities that refinance or otherwise replace mortgages that have been subject to eminent domain (Sec. 216.)

- INFORMATION TECHNOLOGY FEE. — This provision provides authority to charge lenders an information technology fee. These funds will offset the cost of providing enhancements to single family information technology systems (Sec. 222).

- HECM SPOUSAL SURVIVAL. — This provision gives the Department discretion to make deferrals on HECM loans and provides program flexibility to exempt lenders who would otherwise be required to immediately foreclose upon a living spouse (Sec. 223).

- HECM REGIONAL LOAN LIMITS – This provision authorizes the Department to establish loan limits for HECM loans insured under section 255 of the National Housing Act based on the geographic area in which the property securing the HECM is located (Sec. 240).

HOUSING
FHA – MUTUAL MORTGAGE INSURANCE FUND
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Administrative contract Expense	$130,000	$49,222	$179,222	$132,592	$129,117	$39,886	$169,003	$150,000
Total	130,000	49,222	179,222	132,592	129,117	39,886	169,003	150,000

HOUSING
FHA – MUTUAL MORTGAGE INSURANCE FUND
Appropriations Language

The fiscal year 2019 President's Budget includes the appropriation language listed below.

New commitments to guarantee single family loans insured under the Mutual Mortgage Insurance Fund shall not exceed $400,000,000,000, to remain available until September 30, 2020: Provided, That during fiscal year 2019, obligations to make direct loans to carry out the purposes of section 204(g) of the National Housing Act, as amended, shall not exceed $1,000,000: Provided further, That the foregoing amount in the previous proviso shall be for loans to nonprofit and governmental entities in connection with sales of single family real properties owned by the Secretary and formerly insured under the Mutual Mortgage Insurance Fund: Provided further, That for administrative contract expenses of the Federal Housing Administration, $150,000,000, to remain available until September 30, 2020, of which up to $20,000,000 may be used for necessary single family information technology systems of the Federal Housing Administration, and shall be in addition to amounts otherwise provided under this title for such purposes: Provided further, That any amounts to be used for single family information technology purposes pursuant to the previous proviso shall be transferred to the Information Technology Fund account under this title for such purposes: Provided further, That receipts from administrative support fees collected pursuant to section 222 of this title shall be credited as offsetting collections to this account.

Note.—A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
2019 Summary Statement and Initiatives
(Dollars in Thousands)

FHA--GENERAL AND SPECIAL RISK INSURANCE FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	...	$408	...	$408	...	...
2018 Annualized CR	...	805	...	805	...	...
2019 Request	...	...	...	...	...	...
Change from 2018	...	-805	...	-805	...	...

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 President's Budget requests no subsidy budget authority for the Federal Housing Administration (FHA) General Insurance and Special Risk Insurance (GISRI) Fund, $30 billion in loan guarantee commitment authority, the same level as 2018, and $1 million in direct loan authority (reduced from $5 million due to low projected take-up). The Budget estimates $629 million in offsetting negative credit subsidy receipts in 2019 from GI/SRI loan guarantees. GI/SRI's mortgage insurance programs are designed to operate without the need for subsidy appropriations, with fees set higher than anticipated losses.

Credit programs under the FHA GI/SRI Fund include:

- *Multifamily Rental Housing:* loan guarantees for the construction, rehabilitation, preservation, and refinancing of multifamily rental housing;
- *Healthcare Facilities:* loan guarantees for the construction, rehabilitation, and refinancing of hospitals, nursing homes and other healthcare facilities; and
- *Single family:* loan guarantees for Title I manufactured housing and property improvement loans.

GI/SRI programs are a critical component of the Department's efforts to meet the Nation's need for decent, safe and affordable housing. They provide the necessary liquidity so that communities can:

- Continue to provide quality affordable housing and assisted living/nursing home opportunities;
- Improve access to quality healthcare, reduce the cost of that care, and support the needs of aging populations in communities nationwide;

- Strengthen local economies by playing a countercyclical role in the market;
- Improve the availability and maintenance of rental housing for low- and moderate-income families; and
- Enable private lenders to make loans for important projects in underserved markets that might otherwise not be possible.

2. Request

At the requested level, GISRI is projected to issue approximately $21 billion in loan insurance commitments in 2019, including:

- Approximately $16 billion in loan guarantees to support 1,080 housing apartment projects including construction of more than 43,000 new affordable housing units and rehabilitation of more than 45,000 existing affordable housing units;
- $6 billion in loan guarantees for 400 healthcare facilities, including skilled nursing homes, assisted living facilities, board and care homes, and hospitals; and
- $100 million for 3,000 Title I manufactured housing and property improvement projects.

These loan activities cover construction, substantial rehabilitation, and refinancing of apartments and healthcare facilities, including hospitals, across the nation. Multifamily and healthcare loans constitute 99 percent of new insurance commitments in GI/SRI. Refinancing programs preserve financially healthy housing and healthcare facilities by helping them to reduce high current debt obligations. Refinancing offers long-term amortization periods and are a critical option for many conventionally financed projects facing large balloon payments.

3. Justification

The 2019 request supports mortgage insurance programs that are essential in achieving the Department's mission of providing decent, safe, and affordable housing as a safety net for those who need it the most. More specifically:

- GI/SRI mortgage insurance encourages private lenders to make loans for important projects that might otherwise not be possible. New workforce housing in high-demand markets, innovative energy technology renovations, nursing homes serving aging senior citizens, and critical access hospitals are among the types of projects made possible. In addition to providing better access to credit for new developments, GI/SRI supports refinance lending to preserve financially healthy housing and healthcare projects by helping them reduce high current debt obligations. The major refinancing programs for housing and nursing home facilities offer long-term amortization periods and are a critical option for many conventionally financed projects facing large balloon payments. GI/SRI refinancing may also enable properties to undertake needed renovation and rehabilitation.
- FHA mortgage insurance enhances a borrower's credit and provides banks with better access to capital markets, most notably through Ginnie Mae securities. In exchange for adherence to strict underwriting and application requirements established by

HUD and the payment of annual insurance premiums, HUD-certified lenders can file claims with FHA when a borrower defaults. Mortgage insurance premiums and specific terms for claim payments vary by program. GI/SRI mortgage insurance works in part by helping private lenders access liquidity otherwise not available to borrowers developing or maintaining rental housing for low- and moderate-income families. The credit enhancement provided by an FHA loan guarantee enables borrowers to obtain long-term, fully amortizing financing (up to 40 years in the case of new construction/substantial rehabilitation), which can result in substantial cost savings.

- FHA mortgage insurance facilitates fixed-rate loans with long-term amortization not found with conventional lending sources. This mitigates interest rate risk for owners because they do not necessarily have to refinance to maintain affordability of their payments. The long-term amortization period and guarantee of payment in the event of claim stabilizes interest rates and can also allow monthly mortgage payments to be less than payments required under non-insured financing. These savings in turn can reduce the overall costs of developing and maintaining housing, stabilizing housing markets and benefiting low- and moderate-income residents. Similarly, FHA financing of healthcare facilities contributes to lower healthcare costs for taxpayers and consumers.

Mortgage and Loan Insurance Programs-GI/SRI Account

GI/SRI Risk Categories and Estimated Volume:

GI/SRI PROGRAMS
(Dollars in Thousands)

	Fiscal Year 2019		
	Volume (projected)	Credit Subsidy Rate	Offsetting Receipts (projected)[1]
Direct Loans Levels			
FFB Risk Sharing[2]	...	-14.38%	$12,211
Guaranteed Loan Levels			
Apartments New Construction/Substantial Rehab (221d4)	$3,670,000	-0.20%	$18,274
Tax Credits	$3,140,000	-2.49%	$65,040
Apartment Refinances (223a7 & 223f)	$8,152,000	-3.27%	$255,664
Housing Finance Agency Risk Sharing (542c)	$370,000	-0.23%	$795
Qualified Participating Entity Risk Sharing (542b)	...	-0.32%	...
Other Rental (207MHP, 231 and 220)	$150,000	-0.89%	$2,157
Subtotal - Multifamily Programs[3]	***$15,482,000***	***-2.29%***	***$341,930***
Residential Care Facilities (232_nc)	$320,000	-5.81%	$17,820
Residential Care Facility Refinances (232_refi)	$4,350,000	-5.23%	$214,400
Hospitals (242)	$809,000	-5.59%	$40,286
Subtotal - Healthcare Programs[3]	***$5,479,000***	***-5.32%***	***$272,506***
Title 1 - Property Improvement	$40,000	-1.00%	$400
Title 1 - Manufactured Housing	$59,000	-3.87%	$2,284
Total - Guaranteed Loan Levels[3]	***$21,060,000***	***-3.08%***	***$617,120***
Total - GI/SRI Fund[3]	**$21,060,000**	**-3.08%**	**$629,331**

1 Receipts are recognized as the underlying loans are disbursed.

2 The FFB Risk Sharing program will begin to wind down in 2019. Existing firm commitments will be honored, generating a projected $12.2 million in offsetting receipts, but no new commitments are projected for 2019.

3 The subsidy rate is a weighted average.

Multifamily Risk Categories:

Section 221(d)(4) Mortgage Insurance for Rental and Cooperative Housing. The Section 221(d)(4) program is FHA's largest new construction/substantial rehabilitation for multifamily housing. The program insures loans for up to between 83.3 and 90 percent of the project replacement cost (as limited by debt service coverage and per-unit cost requirements). The program covers long-term mortgages of up to 40 years and, like all FHA new construction loan programs, provides for both construction and permanent financing.

Section 223(f) Mortgage Insurance for Refinancing or Purchase of Existing Multifamily Rental Housing. Section 223(f) allows for long-term mortgages of up to 35 years for refinance or purchase of existing multifamily rental housing. Refinances of current FHA-insured multifamily loans are also offered under Section 223(a)(7), but are grouped together with Section 223(f) for budgetary purposes.

Section 241(a) Mortgage Insurance for Supplemental Loans for Multifamily Housing Projects. Section 241(a) provides mortgage insurance for supplemental loans for multifamily housing projects already insured or held by HUD. This program is intended to keep projects competitive, extend their economic life, and finance the replacement of obsolete equipment. Section 241(a) mortgages finance repairs, additions, and other improvements. These loans take second position to the primary mortgage.

Section 542(b) Risk Sharing with Qualified Participating Entities (QPEs). Section 542(b) is one of two multifamily programs under which FHA insures only a portion of the losses by sharing the risk with Fannie Mae, Freddie Mac, and other qualified federal, state, and local public financial and housing institutions. If a loan insured under Section 542(b) defaults, the QPE will pay all costs associated with loan disposition and will seek reimbursement from HUD for 50 percent of the losses.

Section 542(c) Risk Sharing with Housing Finance Agencies (HFAs). Section 542(c) provides mortgage insurance of multifamily housing projects whose loans are underwritten, processed, serviced, and disposed of by state and local HFAs. FHA insurance enhances HFA bonds to investment grade and provides capital for affordable housing construction. HFAs may elect to share from 10 to 90 percent of the loss on a loan with HUD. Section 542(c) insured projects often include low-income housing tax-credits, in which case they are reported under GI/SRI's risk category for Tax Credit Projects.

Other Rental Programs. This risk category includes several relatively low-volume programs that have been grouped together for budgetary purposes, including: Section 220 loans in urban areas, Section 231 loans for elderly housing, and Section 207 loans for mobile home park development. Section 220 is a new construction program, distinct from 221(d)(4) in that it insures loans for multifamily housing projects in urban renewal areas, code enforcement areas, and other areas where local governments have undertaken designated revitalization activities. The program offers special underwriting allowances for greater mixed-use development. Section 231 is also a new construction/substantial rehabilitation program, but for projects specifically designed for senior citizens. For Section 231 projects with 90 percent or greater rental assistance, the maximum loan amount is 90 percent of the estimated replacement cost.

Tax Credit Projects. Projects assisted with Low-Income Housing Tax Credits (LIHTC) may be insured under several FHA multifamily programs, but are grouped together in a single budget risk category. These loans have a lower risk of default than similar projects without tax credits and require borrowers to pay lower FHA mortgage insurance premiums. Use of Section 221(d)(4) with LIHTC will likely be consistent with original estimates for 2014 given recent increased interest in FHA lending by state HFA's and other mission driven lenders for new construction and substantial rehabilitation transactions. Use of Section 223(f) with LIHTC has increased dramatically in 2014 and 2015 because of the Tax Credit Pilot introduced in spring 2012.

Healthcare Risk Categories:

Section 232 New Construction/Substantial Rehabilitation of Residential Care Facilities. Section 232 programs are split into two budget risk categories, the first of which includes new construction and substantial renovation projects. The program enables access to capital that may not otherwise be available for many quality providers in underserved areas, thereby providing access to needed healthcare and residences for seniors. These loans are offered for terms of up to 40 years, and provide both construction and permanent financing. This risk category also includes Section 241(a) supplemental loans made to projects with a primary FHA Section 232 mortgage.

Section 232/223(f) Refinancing and Purchase of Existing Residential Care Facilities. The Section 232/223(f) refinancing program, the second of the two budget risk categories of the section 232 program, has grown to be one of the highest volume insurance programs in GI/SRI, due in great part to mortgagors of existing facilities taking advantage of refinancing at low interest rates. This program offers loan terms of up to 35 years. For a refinance, maximum mortgage amounts are up to 85 percent of appraised value (90 percent if the borrower is a non-profit organization). For acquisitions, mortgages are insured up to 85 percent of the acquisition price plus transaction costs (90 percent of acquisition price if the borrower is a non-profit organization). Equity cash-out transactions are prohibited under this program. Section 223(a)(7) refinances of existing Section 232 loans are also reported under this risk category.

Section 242 Hospitals. The Section 242 program provides mortgage insurance for loans made to acute care hospitals. An FHA guarantee allows hospitals to lock in low interest rates and reduce borrowing costs for major renovation, expansion, replacement, and refinancing projects that help improve healthcare access and quality. Loans are up to 25 years in length, plus a construction period, if applicable. The risk category also includes Section 241(a) supplemental loans, and Section 223(a)(7) loans for refinancing current FHA-insured projects.

Single Family Risk Categories:

Title 1 Property Improvement. The Title I Property Improvement program insures loans for repairs and other improvements to residential and non- residential structures, as well as new construction of non-residential buildings.

Title 1, Manufactured Housing. Under Title I, HUD provides mortgage insurance for individuals to finance manufactured homes and lots on which to set the homes.

Multifamily and healthcare loans are large and complex. Prior to receiving a mortgage guarantee for any multifamily or healthcare loan, lenders and borrowers must complete a rigorous application process in which HUD staff review borrower credit worthiness, project cash flow projections, property appraisals, architectural design, environmental impact, requested loan size, quality of the property management, and other information that establishes a loan as an acceptable credit risk to HUD. Large multifamily housing projects and all healthcare facility loans receive secondary review and approval by a national loan committee, including the Deputy Assistant Secretary for Healthcare Programs (for Hospitals and Large Residential Care Facilities). Once insurance has been approved, progress on any new construction or renovation is closely monitored by HUD inspectors. HUD asset managers monitor project financial statements on an ongoing basis and periodic physical inspections are conducted by HUD's Real Estate Assessment Center. Loss mitigation measures, including partial payment of claims based on policy approved in 2010, are undertaken before a default and full claim on the loan occurs. When a borrower does default and a claim is filed, HUD will take possession of the mortgage note or property and seek to recover losses.

With each mortgage it insures, FHA carefully considers the benefits to the community along with financial risks to the government. Cognizant of the risks associated with FHA's role in the housing market, the Department has launched several new initiatives aimed at appropriately managing the risk involved with multifamily loans. Risk mitigation procedures for Multifamily Housing originations include a tiered loan approval structure requiring increasing levels of Loan Committee review based on program and dollar amount of each loan. In addition, HUD staff conduct a thorough underwriting review on each transaction and the Office of Risk Management conducts a sampling of post-commitment reviews. Loan origination and default data and trends are monitored by HUD and lenders are required to obtain third party quality control reviews on a sampling of loans, and for all early claims within four years of final endorsement.

Healthcare facilities are major economic engines and community anchors that are pivotal for economic growth and quality of life within communities nationwide.

The healthcare portfolio as of the end of 2017 includes 3,508 insured residential care facilities (assisted living facilities, nursing homes, and board and care homes) in all 50 states as well as the District of Columbia, and 77 hospitals within 33 states and territories including Puerto Rico. Through proactive risk management, HUD has maintained extremely low claim rates of under 2 percent in both programs.

FHA's effectiveness is demonstrated by the tangible result of its programs. Quality housing and healthcare facilities are made possible and/or more affordable throughout the country due to an FHA mortgage guarantee. For example, over the last 10 years, GI/SRI insurance has supported over 1.5 million multifamily housing units and nearly 500,000 residential care facility beds.

HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
SUMMARY OF RESOURCES BY PROGRAM
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Positive Subsidy								
Appropriation	...	$408	$408	...	...	$805	$805	...
Total	...	408	408	...	...	805	805	...

HOUSING
FHA – GENERAL AND SPECIAL RISK INSURANCE FUND
Appropriations Language

The fiscal year 2019 President's Budget includes the appropriation language listed below.

New commitments to guarantee loans insured under the General and Special Risk Insurance Funds, as authorized by sections 238 and 519 of the National Housing Act (12 U.S.C. 1715z—3 and 1735c), shall not exceed $30,000,000,000 in total loan principal, any part of which is to be guaranteed, to remain available until September 30, 2020: Provided, That during fiscal year 2019, gross obligations for the principal amount of direct loans, as authorized by sections 204(g), 207(l), 238, and 519(a) of the National Housing Act, shall not exceed $1,000,000, which shall be for loans to nonprofit and governmental entities in connection with the sale of single family real properties owned by the Secretary and formerly insured under such Act.

Note.—A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

HOUSING
MANUFACTURED HOUSING FEES TRUST FUND
2019 Summary Statement and Initiatives
(Dollars in Thousands)

MANUFACTURED HOUSING FEES TRUST FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$10,500	$2,946	...	$13,446	$10,790	$9,334
2018 Annualized CR	10,500	2,656	-$71[a]	13,085	12,388	10,331
2019 Request	12,000	697	...	12,697	12,438	10,708
Change from 2018	+1,500	-1,959	+71	-388	+50	+377

a/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.

1. Purpose and Fiscal Year 2019 Budget Overview

The 2019 President's Budget request for the Manufactured Housing Program is $12 million, which is $1.5 million more than the 2018 Annualized CR Level, and is comprised exclusively of appropriated offsetting fee collections. One of the primary purposes of the Manufactured Home Construction and Safety Standards Act of 1974 as amended by the Manufactured Housing Improvement Act of 2000, is "to protect the quality, durability, safety, and affordability of manufactured homes" and "to facilitate the availability and affordability of manufactured homes and to increase homeownership for all Americans. 42 U.S.C. Section 5401(b)." Under the Act, HUD is required to provide uniform and effective enforcement of its standards and responsibilities. As a result of continued industry growth, additional funds are needed in 2019 to ensure that effective levels of monitoring and enforcement are carried out by HUD as required by the statute.

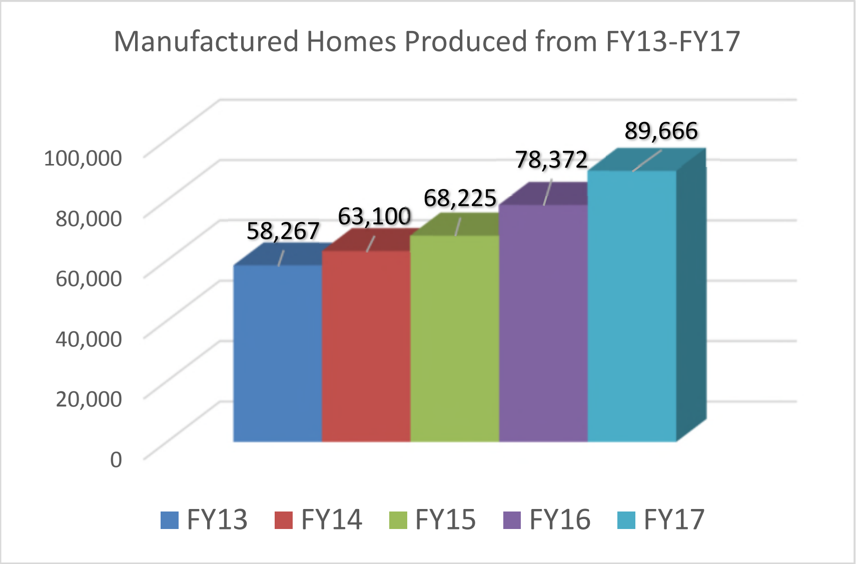
Manufactured housing is a key segment of the affordable housing industry, and manufactured homes account for approximately 10 percent of the Nation's new single-family housing stock. Additionally, manufactured homes constitute a major source of housing in rural America, where one in every five homes is a manufactured home.

2. Request

The 2019 Budget request of $12 million will:

(1) Cover the increased contractual costs for monitoring and enforcement of the program to effectively carry out the multiple federally mandated and preemptive oversight and compliance aspects of the program; and

(2) Make payments to our state partners, State Administrative Agencies (SAAs), to offset their costs for handling consumer complaints and overseeing notification and correction related activities as outlined in Federal manufactured home regulations.



The costs of these programmatic activities are rising steadily due to increases in the production of manufactured homes and the steady increase in the number of production facilities nationwide. The number of manufactured homes produced has increased by more than 50 percent from 2013-2017. Also, the number of manufacturing plants has increased from 122 in 2013 to 130 in 2017. In addition, monitoring inspections are now being conducted as a result of full implementation of HUD's installation and dispute resolution programs.

Manufacturers pay a $100 fee per transportable section of a manufactured homes (a manufactured home typically has 1-2 transportable sections). HUD collected approximately $14 million in fees during 2017, and projects $16 million in fee collections during fiscal year 2019 due to increases in production. HUD will use $12 million of the fees collected in fiscal year 2019 to administer the program.

While manufactured housing serves all sectors of the population, its continued availability and affordability is especially critical for young families, individuals with moderate or low incomes, and elderly households with fixed incomes. Manufactured housing is a key component of affordable housing; 75 percent of manufactured home households earn less than $50,000 annually. In 2016, the average sales price of a manufactured home was $70,000.

3. Justification

Before 1974, regulation of manufactured homes was left to the States and manufacturers were required to comply with numerous different building codes which created a burdensome and inefficient marketplace. This decentralized regulatory structure resulted in a patchwork of regulations with varying degrees of enforcement and compliance. These variations also hindered manufacturers' ability to ship their homes across State lines and impeded the productivity and efficiency of the industry. In response, Congress passed the National Manufactured Housing Construction and Safety Standards Act of 1974.

The Act established HUD responsibility for manufactured home design, construction, and consumer protection to protect the quality, durability, safety, and affordability of manufactured homes. The Manufactured Home Improvement Act of 2000 expanded those responsibilities, requiring HUD to provide installation standards and dispute resolution services where States do not have a HUD approved program to offer those services, approve and recertify HUD approved State installation and dispute resolution programs, and establish and manage the Manufactured Housing Consensus Committee (see below). HUD's regulation of manufactured housing fulfills a statutory mandate in establishing Federally preemptive standards (one national building code) for the industry and protecting consumers. To accomplish these goals and fulfill the requirements of the Act, the duties of HUD's Office of Manufactured Housing Programs (OMHP) include:

1. **Establishment and updating of Manufactured Home Construction and Safety and Installation Standards for the construction, design, and performance of manufactured homes.** These standards are established to meet the goals of the 2000 Act and the needs of the public for their quality, durability, and safety. HUD also establishes model standards for the installation of manufactured homes. These standards are updated by the OMHP following careful analysis of proposals from the industry and consumers, in close coordination with the Manufactured Housing Consensus Committee (MHCC), a 21-person Federal Advisory Committee composed of representatives from the manufacturing industry (producers/retailers), public officials/general interest, and users (consumer leaders, representatives of consumer organizations, owners and residents of manufactured homes).

2. **Monitoring manufacturer's compliance with the Construction and Safety Standards.** HUD monitors third party agencies who approve manufacturers' designs (Design Approval Primary Inspection Agencies - DAPIAs) and agenicies who inspect construction and quality programs in the plants (In-plant Production Inspection Agencies - IPIAs). These agencies ensure that both quality control programs are in place and that HUD Standards are being met during home production in the factory. In addition, the HUD contractor monitors the performance of State Administrative Agencies (see 3. below).

3. **Addressing non-conformances with the Construction and Safety Standards by requiring manufacturers to notify consumers of a defect; or, in the event of a serious problem, require the manufacturer to repair or replace manufactured homes.** The OMHP partners with states – 35 State Administrative Agencies (SAAs) – through cooperative agreements to carry out consumer complaint activities on HUD's behalf. After the voluntary withdrawl of two SAAs in 2017 due to limited resources, HUD is now responsible for oversight in 15 states.

4. **Establishment and Oversight of Model Installation Standards in all states.** The OMHP is responsible for installation oversight nationwide and the licensing and training of installers. In 2016, OMHP implemented a federally run program in 13 states that had no installation program of their own. OMHP is now running this program in 14 States.

5. **Establish and Administer the Dispute Resolution Program to resolve disputes between manufacturers, retailers, and installers of manufactured homes.** OMHP administers a federally run program in 25 States that have no Dispute Resolution program of their own. Previously, OMHP was responsible for 24 States but one withdrew it's program in 2017.

6. **Coordinate the Activities of the Manufactured Housing Consensus Committee through the use of an Administering Organization (AO).** The contractor is mandated by the amendments to the National Manufactured Housing Construction and Safety Standards Act and oversees the consensus process for the development of standards and regulations. The MHCC is responsible for providing recommendations to the Secretary on construction standards, installation standards, and enforcement regulations.

7. **Meetings with Partners in the Federal Manufactured Housing Program**. These meetings are held with all parties that work with the federal program to ensure it operates in a consistent manner. These meetings bring together parties in the Federal program including meetings of the MHCC, meetings with in-plant and design approval agencies, national and regional meetings with its state partners, as well as meetings with other Federal agencies, manufacturers, installers, and homeowners.

In summary, since the program's inception in 1976, the overall quality, safety, and durability of manufactured housing has improved, and its affordability has been maintained. The number of per capita fires and deaths in manufactured homes has been significantly reduced compared to homes produced before the HUD standards became effective. Manufactured homes produced under HUD Code perform better in high wind events due to enhancements to modern manufactured home construction standards. In a study conducted after Hurricane Charley, which made landfall in 2004, manufactured homes produced under HUD's 1994 wind standard requirements performed significantly better than pre-1994 units. Additionally, mobile homes produced prior to the HUD program's effective date in 1976 were more severely damaged overall than their HUD-regulated manufactured home counterparts. Moreover, financial organizations have been encouraged to offer home mortgages instead of chattel financing due to the increased lifetime and durability of manufactured homes produced under HUD's program.

HOUSING
MANUFACTURED HOUSING FEES TRUST FUND
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Payments to States	$2,245	$1,883	$4,128	$3,424	$2,230	$579	$2,809	$3,600
Contracts	8,255	1,063	9,318	7,366	8,199	2,077	10,276	8,400
Total	10,500	2,946	13,446	10,790	10,429	2,656	13,085	12,000

HOUSING
MANUFACTURED HOUSING FEES TRUST FUND
Appropriations Language

The fiscal year 2019 President's Budget includes the proposed appropriation language listed below.

For necessary expenses as authorized by the National Manufactured HousingConstruction and Safety Standards Act of 1974 (42 U.S.C. 5401 et seq.), up to $12,000,000, to remain available until expended, of which $12,000,000 is to be derived from the Manufactured Housing Fees Trust Fund: Provided, That not to exceed the total amount appropriated under this heading shall be available from the general fund of the Treasury to the extent necessary to incur obligations and make expenditures pending the receipt of collections to the Fund pursuant to section 620 of such Act: Provided further, That the amount made available under this heading from the general fund shall be reduced as such collections are received during fiscal year 2019 so as to result in a final fiscal year 2019 appropriation from the general fund estimated at zero, and fees pursuant to such section 620 shall be modified as necessary to ensure such a final fiscal year 2019 appropriation: Provided further, That for the dispute resolution and installation programs, the Secretary may assess and collect fees from any program participant: Provided further, That such collections shall be deposited into the Fund, and the Secretary, as provided herein, may use such collections, as well as fees collected under section 620, for necessary expenses of such Act: Provided further, That, notwithstanding the requirements of section 620 of such Act, the Secretary may carry out responsibilities of the Secretary under such Act through the use of approved service providers that are paid directly by the recipients of their services.

Note.—A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
MORTGAGE-BACKED SECURITIES PROGRAM
2019 Summary Statement and Initiatives
(Dollars in Thousands)

GUARANTEES OF MORTGAGE-BACKED SECURITIES	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$500,000,000	$500,000,000	...	$1,000,000,000	$529,754,189	...
2018 Annualized CR	500,000,000	470,245,811	...	970,245,811	970,245,811	...
2019 Request	550,000,000	...	...	550,000,000	550,000,000	...
Change from 2018	+50,000,000	-470,245,811	...	-420,245,811	-420,245,811	...

GUARANTEES OF MORTGAGE-BACKED SECURITIES PROGRAM ACCOUNT	Carryover	Spending Authority from Offsetting Collections	Precluded from Obligation	Gross Budget Authority[1]	Obligations	Net Outlays
Administrative Expenses and Commitment and Multiclass Fees						
2017 Appropriation.....................	$522,649	$138,000	-$634,649	$26,000	$27,200	-$116,014
2018 Annualized CR.....................	634,649	119,000	-727,826	25,823	28,700	-95,508
2019 Request...........................	727,826	128,000	-831,426	24,400	30,000	-106,088
Change from 2018	+93,177	+9,000	-103,600	-1,423	+1,300	-10,580

1. Program Purpose and Fiscal Year 2019 Budget Overview

Ginnie Mae makes affordable housing a reality for millions of low- and moderate-income households across America by channeling global capital into the nation's housing markets. Specifically, the Ginnie Mae guarantee allows mortgage lenders to obtain a better price for their Mortgage Backed Securities (MBS) in the secondary mortgage market. The lenders can then use the proceeds of their

[1] Gross Budget Authority represents new budget authority to be collected within the fiscal year and does not include the $8 million balance of no-year S&E collected in prior fiscal years.

MBS sales to fund new mortgage loans. Without that liquidity, lenders would be forced to keep all loans in their own portfolio, meaning they would not have adequate capital to make new loans.

The fiscal year 2019 President's Budget request of $550 billion in commitment authority, $50 billion more than the fiscal year 2018 Annualized CR level, will allow Ginnie Mae to remain the primary financing mechanism for all government-insured or government-guaranteed mortgage loans.

2. Request

Ginnie Mae's fiscal year 2019 Budget request consists of two parts:

(1) $550 billion (non-cash) in limitation on new commitments of single class MBS; and

(2) $24.4 million to cover personnel compensation and benefits and non-personnel services expenses for fiscal year 2019.

Commitment Authority

Ginnie Mae is requesting $550 billion in commitment authority, to remain available until September 30, 2020, to issue guarantees of MBS to meet the credit access and housing needs of Americans across the single-family, multifamily, and healthcare segments of the market. This request provides ample authority given estimates of mortgage insurance and guarantee activity of the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), HUD's Office of Public and Indian Housing (PIH), and the U.S. Department of Agriculture (USDA).

Salaries and Expenses

The fiscal year 2019 President's Budget request of $24.4 million is $1.4 million less than the fiscal year 2018 Annualized CR level. Ginnie Mae's salaries and expenses (S&E) request is offset by an estimated $128 million in collections from multiclass and commitment fees for an expected net decrease to the deficit of $103.6 million. Please see the Ginnie Mae S&E justification for more details.

3. Justification

Ginnie Mae, authorized by Title III of the National Housing Act, as amended (P.L. 73-479; codified at 12 U.S.C. 1716 et seq.), is not in the business of making or purchasing mortgage loans, nor does it buy, sell, or issue securities. Instead, Ginnie Mae supports liquidity in the mortgage market by guaranteeing timely payment on securities backed by federally guaranteed mortgages, for which

qualified mortgage issuers pay a fee. Issuers use that authority to pool their eligible government insured loans into securities and issue Ginnie Mae guaranteed MBS. Ginnie Mae, in turn and as authorized by Section 306(g) of the National Housing Act, guarantees the performance (i.e., timely payment of principal and interest) of the Issuer who issues the MBS and who continues to service and manage the underlying loans. The guarantee to investors also earns Ginnie Mae guarantee fee income from issuers. The Ginnie Mae guarantee, coupled with an expected return higher than U.S. Treasury securities, makes Ginnie Mae securities highly liquid and attractive to domestic and foreign investors of all types. This liquidity is passed on to the issuers who can then use the proceeds from Issuances to make new mortgage loans at attractive interest rates to borrowers. The ongoing cycle (as depicted in Figure 1) helps to lower financing costs and supports increased access to capital for housing finance across the single-family, multifamily, and healthcare housing markets. Because the Ginnie Mae-guaranteed MBS are backed by the full faith and credit of the U.S. Government, capital continues to flow even during recessionary periods when liquidity stalls in the private market and in times of great market change as we experienced with the withdrawal of major banks from the origination space.

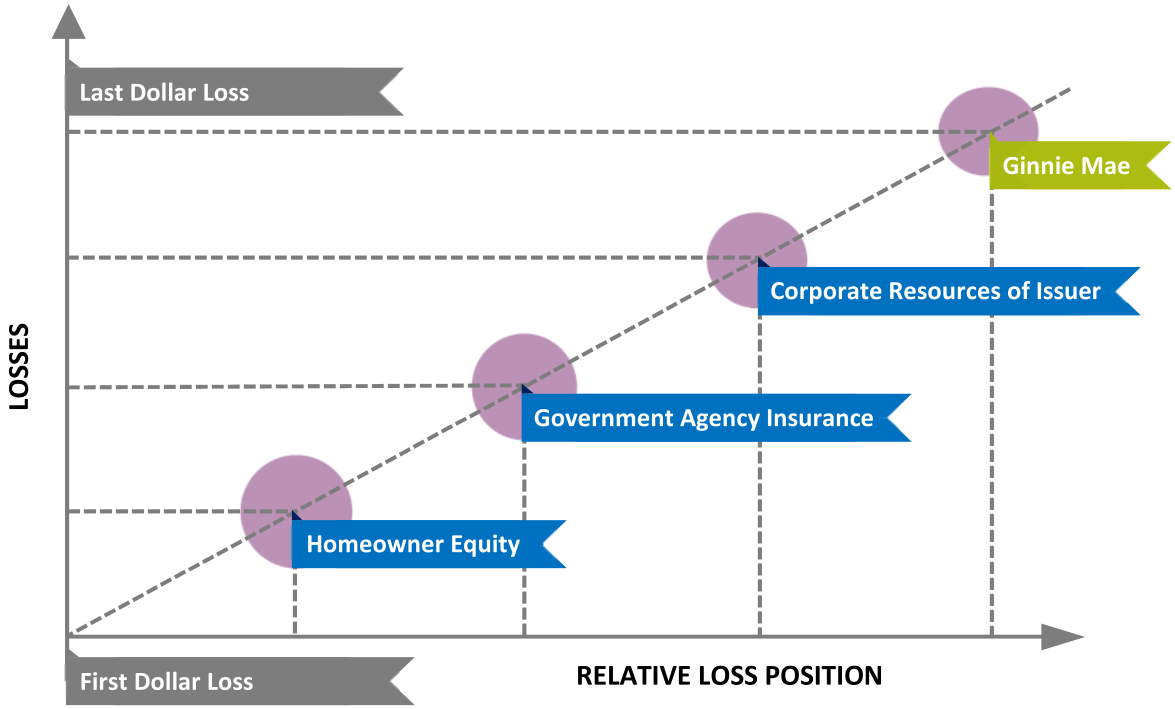
Over the last several years Ginnie Mae's MBS issuance volumes have continued to rise resulting in fiscal year 2017 issuances of $505 billion, $5 billion more than the current year 2-year limitation level. This increase in MBS production provided the necessary capital to finance home purchases, refinances, and rental housing for approximately 2.2 million households.

Guarantees of Mortgage-Backed Securities

Figure 1: Capital Flow of Ginnie Mae Guaranteed Securities

Ginnie Mae is a mono-line business taking only counterparty risk – the risk that the Issuer does not have the financial strength and liquidity to cover borrower defaults and un-reimbursed losses on mortgage loans underlying their MBS issuances. There are three levels of credit exposure that must be exhausted before the Ginnie Mae guarantee is at risk, thus, Ginnie Mae is in the fourth and last loss position, as shown in Figure 2. As such, Ginnie Mae Issuers' must exhaust their corporate resources — usually through bankruptcy — before Ginnie Mae will pay on its guarantee. This process is similar to the Federal Deposit Insurance Corporation (FDIC) closing a failed bank. Insuring only the performance of the Issuer and requiring that Issuers make principal and interest payments to investors until they can no longer do so significantly reduces taxpayer exposure to risk. By actively managing and monitoring issuers, Ginnie Mae manages its risk of potential Issuer default and can better protect the guarantee from loss.

Figure 2: Protecting the Ginnie Mae Guarantee



Ginnie Mae plays a critical role in the U.S. housing finance system, as it is a low risk, high revenue-generating conduit for bringing private capital into the U.S. housing markets. Without such a conduit, the prevalence of the 30-year mortgage would significantly diminish. If Issuers were unable to access the global capital market through the sale of Ginnie Mae securities, they would not have the long-term funding necessary to continue originating FHA, VA, PIH and USDA insured loans upon which so many in America depend. In response, Issuers would originate mainly adjustable-rate mortgage (ARM) loans and be forced to raise mortgage rates for the loans they do make to individual borrowers, which would weaken the housing market. In addition, the existing global MBS market would experience a major disruption, with negative effects on both the liquidity and value of existing Ginnie Mae MBS (which represent an important component of the balance sheets of many of the world's largest financial institutions). Ginnie Mae benefits borrowers, Issuers, and investors while helping to stabilize the U.S. housing and capital markets. Accordingly, Ginnie Mae is designated by the Federal Government as a National Essential Function (NEF) for protecting and stabilizing the nation's economy in the aftermath of a disaster and ensuring public confidence in its financial system.

For nearly 50 years, Ginnie Mae has provided liquidity and stability through all market cycles, serving as the principal financing arm for government-insured loans and ensuring that mortgage lenders always have funds to provide loans to consumers. Prior to the introduction of the Ginnie Mae MBS in 1970, borrowers across the United States had limited access to fixed interest rate home mortgages and faced strikingly uneven mortgage rates across different regions. Without Ginnie Mae's continuing support of the mortgage market, such problems could resurface. During recent market crises, Ginnie Mae has provided market stability and liquidity to America's housing finance system. In addition, Ginnie Mae has become the major outlet for providing global capital and liquidity to the housing market by providing a steady source of funding for the vast majority of government-insured or guaranteed loans offered.

General Provisions

- **Administrative Expenses Fiscal Year Limitations:** The budget seeks to permanently authorize the provision that makes limitations on administrative expenses inapplicable to certain expenditures of Ginnie Mae, including legal services contracts and the expenses of carrying out its programmatic duties. This provision ensures that administrative expenses provided in annual appropriations bills does not preclude Ginnie Mae's reliance upon its permanent, indefinite appropriation, in Section 1 of the National Housing Act, for essential operating funds (Sec. 204).
- **Government Corporations Control Act:** This provision is an authorization by which Congress implements its responsibilities under section 104 of the Government Corporations Control Act (31 U.S.C. 9104), which is necessary to carry out the programs set forth in Ginnie Mae's budget for the coming year (Sec. 205).
- **Prohibition on Insuring Mortgages Subject to Eminent Domain:** Prohibits HUD from guaranteeing mortgages or mortgage-backed securities that refinance or otherwise replace mortgages that have been subject to eminent domain (Sec. 216).

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
MORTGAGE-BACKED SECURITIES PROGRAM
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Commitment Limitation..	$500,000,000	$500,000,000	$1,000,000,000	$529,754,189	$500,000,000	$470,245,811	$970,245,811	$550,000,000
Total	500,000,000	500,000,000	1,000,000,000	529,754,189	500,000,000	470,245,811	970,245,811	550,000,000

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
MORTGAGE-BACKED SECURITIES PROGRAM
Appropriations language

The fiscal year 2019 President's Budget includes the appropriation language listed below.

New commitments to issue guarantees to carry out the purposes of section 306 of the National Housing Act, as amended (12 U.S.C. 1721(g)), shall not exceed $550,000,000,000, to remain available until September 30, 2020: Provided, That $24,400,000 shall be available for necessary salaries and expenses of the Office of Government National Mortgage Association. Provided further, That receipts from Commitment and Multiclass fees collected pursuant to Title III of the National Housing Act, as amended, shall be credited as offsetting collections to this account.

Note.—A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SALARIES AND EXPENSES
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$22,702**	**$22,844**	**$24,400**
Non-Personnel Services	-	-	-
Travel	-	-	-
Transportation of Things	-	-	-
Rent and Utilities	-	-	-
Printing	-	-	-
Other services/Contracts	-	-	-
Training	-	-	-
Supplies	-	-	-
Non-Personnel Services Subtotal	**-**	**-**	**-**
Working Capital Fund	-	-	-
Grand Total	**$22,702**	**$22,844**	**$24,400**
Permanent FTE	**134**	**134**	**138**
Temporary FTE*	**15**	**20**	**20**
Associated FTE	**149**	**154**	**158**

*Temporary FTE are term employees paid via GNMA no-year funding. Non-Personnel Sevices and WCF are also paid via GNMA no-year funding.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Government National Mortgage Association (Ginnie Mae) is a revenue generating Government corporation originally chartered to conduct commercial operations for a public purpose. Its operations are integral to the viability of our Nation's housing finance system and its mission is to bring domestic and global capital into that market. Ginnie Mae fulfills its mission by providing a mortgage backed securities (MBS) platform to lenders and attracting investors to the sale of the MBS, which provides the liquidity that keeps funds flowing to lenders, allowing them to continue to originate loans under the Federal Housing Authority (FHA), Veterans Affairs (VA), Rural Housing Services (RHS) and Public and Indian Housing (PIH) programs. At the heart of the demand for the Ginnie Mae MBS is the explicit government guaranty that effectively removes credit risk for investors, making Ginnie Mae MBS a valuable international commodity.

Ginnie Mae's core activities surround its guarantee of timely payment on Ginnie Mae guaranteed-MBS securities. Activities include the key operational functions of approving and monitoring the mortgage lenders who can issue and service the Ginnie Mae MBS, and maintaining the platform over which the MBS is issued, and investors receive payment. Ginnie Mae provides potential investors with the U.S. government's guarantee that they will receive timely payments from said Issuer while they remain in good standing in the Ginnie Mae program. Due to its critical role in providing liquidity to lenders and the housing market, Ginnie Mae is designated by the Federal Government as a Nationally Essential Function (NEF) for protecting and stabilizing the Nation's economy and ensuring public confidence in its financial system. Ginnie Mae's ability to fulfill its NEF role effectively and seamlessly is a direct function of its ability to conduct timely and efficient business operations and transactions and oversee and manage complex program and Issuer risks.

Protecting the government guaranty, by insuring that only financially sound and operationally capable lenders (Issuers) can issue MBS and reliably make payments to investors, has been one of Ginnie Mae's two operational priorities. The other priority has been running the platform over which the MBS are issued, and investors receive payment. Without access to the Ginnie Mae program, lenders would be challenged to offer a 30-year fixed-rate mortgage at affordable interest rates. The fiscal year 2019 Budget request, along with use of Ginnie Mae's accumulated no-year funding, will allow it to meet these priorities while managing a growing and changing portfolio as well as increasing business complexity and risk.

The fiscal year 2019 President's Budget request of $24,400K for Salaries and Expenses (S&E) is $1,556K more than the fiscal year 2018 CR level. The Budget does not request a contingent S&E appropriations due to balances of no-year funds from prior years.

<u>Personnel Services (PS)</u>: Ginnie Mae's request of $24,400K will support 138 Full-Time Equivalents (FTE) in fiscal year 2019, including 5 of the most urgently needed new staff. These additional staff are needed for mission critical functions, compliance and oversight functions and related foundational technology development to manage the increasing business complexity and risks associated with growing MBS program volume and dynamic changes in the housing finance market and risk profile of program participants -- to continue seamlessly operating as a successful, self-financed government corporation that supports housing credit access and liquidity across the Nation at no cost, and at limited risk to taxpayers.

<u>Non-Personnel Services (NPS)</u>: Ginnie Mae intends to support its NPS requirements in travel, training, contract and supplies using carryover of no-year funds.

Working Capital Fund (WCF): Ginnie Mae's fiscal year 2019 WCF fees of $1,131K, for its use of shared services and other investments directed by the Secretary, will be funded using carryover of no-year funds.

This budget and staffing support the policy goal of "Supporting homeownership through provision of Federal Housing Administration mortgage insurance programs." Ginnie Mae plays an increasingly important role in the U.S. economy and MBS market upon which residential lenders and low and moderate-income homebuyers depend for access to liquidity and credit and is currently funding 1 in 3 new single-family mortgages securitized, with currently outstanding MBS of $1.8 trillion supporting over ten million households. If Ginnie Mae fails to meet either of its roles, liquidity to the housing mortgage market and homebuyer credit access will be insufficient or the taxpayer dollar will be at greater risk. Ginnie Mae will continue to utilize full-time staff to develop its programs and infrastructure in response to market changes, thereby reducing the risk of increased Issuer failures, potential taxpayer losses, and a decrease in the utility of the Ginnie Mae securitization platform, leading to higher interest rates and lower availability of credit for home buyers and borrowers served by the government mortgage insurance programs - FHA, VA, PIH, and RHS.

GNMA Priorities:

- **Carry out mission-critical work** in the *Offices of Issuer and Portfolio Management, Enterprise Risk, Enterprise Data and Technology Solutions, and the Chief Financial Officer*, including building the foundation eventually to reach a right-sized Issuer to staff ratio.
- **Enhance risk management and reduce risks in certain aspects of operations** and management of the portfolio of $1.8 trillion in outstanding 30-year MBS that continues to grow and evolve through market forces. That growth and increased program complexity is affecting all core business processes and has expanded contractor dependence and increased enterprise risk in the most vulnerable areas.
- **Eliminate or lessen single-person dependencies and improve internal controls and efficiency** by providing adequate back-up personnel and segregation of certain duties, particularly in the CFO's office.
- **Address some of the numerous functions that are currently not able to be performed** at all due to the absence of adequate staff in certain areas and the inappropriateness of having contractors perform the functions.
- **Make meaningful progress in audit remediation,** by the *Office of the CFO,* which demands experienced and highly skilled staff with expertise to resolve disclaimers. Current accounting staff and information technology (IT) infrastructure are inadequate to handle the complex loan-level accounting requirements.
- **Build some increased capacity to strengthen management oversight of contractors** across the parts of the enterprise and reduce dependence on contractors for certain core business functions, increase efficiency and contractor effectiveness, reduce cost, and begin to right size significantly lopsided contractor to staff ratio. Inherently Government Functions, such as Issuer and contractor oversight, require Government human resources to execute business operations identified as Ginnie Mae core competencies, for more effective internal controls.

- **Increase oversight of and risk management of non-depository Issuers** by the *Offices of Issuer and Portfolio Management and Enterprise Risk* to allow Ginnie Mae to continue issuing commitment authority, approving servicing transfers and managing Issuer defaults, all critical to ensuring ongoing MBS liquidity and access to credit capital for low/moderate income homebuyers.
  - **MBS Volume Sources have Shifted from Depositories to Non Depositories as Issuers**, from a few large depository institutions to many smaller, unregulated non-depository mortgage companies. Ginnie Mae's Issuer base is almost 80 percent non-banks, issuing 73 percent of MBS.
  - **Ginnie Mae is Primary Evaluator of Non-Depositories** to determine their financial soundness, including their ability to make pass-through payments to investors during the life of a 30-year mortgage.
  - **Highly Skilled Staffing Needed to oversee unregulated non-depository Issuers,** which commonly have lower capital, fewer liquidity sources and more complex and creative financing than traditional banks.
- **Begin to implement Ginnie Mae's comprehensive Issuer Monitoring Framework**, with special focus on troubled Issuer remediation and the Issuer Default Process, to ensure adequate staffing for the broad strategy, expanded actions steps and resources required at each stage of Issuer oversight, remediation and default resolution, including contingency planning for extreme adverse situations.
- **Maintain investor confidence in Issuer stability.** Investors must have confidence that Ginnie Mae properly monitors Issuers to reduce risk of improper prepayments and provide a consistent rate-of return. Loss of investor confidence could adversely affect investor participation in Ginnie Mae's MBS programs.
- **Mitigate against guaranty overextension, which is a growing risk.** Ginnie Mae's model depends on minimizing the activation and the losses to the guaranty of the full faith and credit of the Federal Government. The model only works if Ginnie Mae's risk, operations, monitoring, and securities processes are fully operational.
- **Continue modernization and transformational initiatives** by the *Offices of the CFO, Securities Operations and Enterprise Data and Technology Solutions* necessary to remain competitive in the market; comply with audits, organizational internal controls, security standards (FISMA, FISCAM, NIST Rev. 4) and other regulatory mandates; align with internal policies and procedures. This will eliminate outdated systems technology to facilitate ability to adapt to future Issuer market demands, which will help keep the program relevant, maintain Issuer interest and preserve program cost benefits to borrowers.

2. Key Operational Initiatives

- **Data Center Consolidation Initiative:**

Currently Ginnie Mae has technology infrastructure, technology services, technology operations deployed and supported across multiple contracts. Ginnie Mae is pursuing a strategy of collapsing its IT infrastructure and migrating approved platforms to a cloud hosting environment to increase IT agility, scalability, control costs and align with Federal Government mandates and direction. Consolidating IT infrastructure and migrating to cloud hosting will help the organization drive business value and achieve its strategic vision. It will also help alleviate the cost, performance, and service challenges Ginnie Mae is facing with its current hosting providers. Currently, the organization is hampered by the lengthy and costly process that is required to expand and provision computing infrastructure when a new IT capability is needed or when current IT capacity is not sufficient to meet user demands. This delay in providing IT capabilities can adversely affect Ginnie Mae's ability to provide customers with innovative services in a timely manner. Listed below are several important benefits directly related to Ginnie Mae transitioning to a consolidated infrastructure and cloud hosting model:

- **Reduce Capital Expenditures:** Under a consolidated infrastructure and cloud hosting model, Ginnie Mae will only pay for the services that it consumes. Ginnie Mae will no longer be required to purchase computing hardware at multiple sites, and costs associated with cloud consolidation will be shifted from capital expenditures (buying hardware) to operations expenditures (services).
- **Improve IT Agility & Scalability**: The current several-month process to procure, install, and configure computing equipment can potentially be reduced significantly through consolidated and cloud infrastructures and platforms. When a new need is identified, additional computing instances can quickly be provisioned in the cloud. Platforms requiring hardware will only be required at a single location/provider, not at multiple locations and multiple providers. Additionally, if the need is short term, Ginnie Mae will no longer be responsible for a large capital expenditure for a piece of equipment that may only be used briefly. Finally, as user demand increases with increased business activity over time, computing capacity can be rapidly expanded to meet rising demands.
- **Reduce Computing Needs**: Currently Ginnie Mae maintains several alternative computing environments for each key IT system. The current hosting model requires each of these environments to be up and running 24 hours/day, 7 days/week, 365 days/year, leading to additional expendituresrequired to power, maintain and monitor servers and platforms that may be rarely used, at multiple locations. Consolidating infrastructure and migrating to cloud services will allow the organization to be far more tactical in the way it consumes computing resources, bandwidth, and power by switching to an on-demand service model.
- **New Approaches to Disaster Recovery**: Ginnie Mae currently maintains multiple sites for an always-on disaster recovery environment for each key IT system. Although these environments provide a blanket of security should the production environment fail, they are costly and may never be used. In a consolidated and cloud environment, if a system is architected for high availability, the need to maintain multiple sites or a separate disaster recovery environment for each system can be reduced or eliminated.

- **Counterparty Issuer Monitoring Initiative**
  Ginnie Mae is re-engineering how it manages its relationship with Issuers, to support their participation in the MBS program and prevent problems from arising within the Ginnie Mae MBS portfolio. This initiative includes the following:

- Re-orientation of counterparty risk management emphasis
- Re-organization around strengthened, cross-functional team approach
- Addition of specialized functions within teams (e.g. account associates, account analysts)
- Addition of specialized functions supporting teams (e.g. transactions, financing Issuers, data management, program development, training)
- Re-defined and fully-documented processes for identifying, analyzing, and addressing Issuer-related issues, especially pertaining to counterparty risk

Benefits

- Better alignment of Ginnie Mae's organization and functions to business-driven needs
- Improvement in Ginnie Mae staff's ability to execute these functions successfully
- Improvement in Ginnie Mae's ability to identify and address counterparty risk and other Issuer-related issues effectively

- **Issuer Failure Resolution Initiative**

  Ginnie Mae is re-engineering how it manages segments of the MSR portfolio where problems have occurred, to ensure that servicing is performed by capable institutions and losses are avoided/minimized. This initiative includes the following:
  - Reformulation of a wide variety of processes (pre-default mitigation, Issuer termination, collateral management, portfolio asset stabilization and management, asset disposition) into an integrated whole
  - Breakdown of key decision points and processes
  - Identification of areas where further development is necessary (e.g. legal, policy, intergovernmental, market, contracts with third-party service providers)
  - Documentation of resulting comprehensive portfolio management program

  Benefits
  - Improved decision making and documentation of procedure, roles and responsibilities relating to the management of troubled segments of the MBS portfolio
  - Improved ability to execute related activities effectively
  - Minimized disruptions and losses resulting from troubled portfolios

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SALARIES AND EXPENSES
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

(Dollars in Thousands)

	FY 2017 Actuals	**FY 2018 Annualized CR**	**FY 2019 President's Budget**
Personnel Services	**$22,702**	**$22,844**	**$24,400**
Non-Personnel Services	-	-	-
Travel	-	-	-
Transportation of Things	-	-	-
Rent and Utilities	-	-	-
Printing	-	-	-
Other services/Contracts	-	-	-
Training	-	-	-
Supplies	-	-	-
Non-Personnel Services Subtotal	**-**	**-**	**-**
Working Capital Fund	-	-	-
Grand Total	**$22,702**	**$22,844**	**$24,400**
Permanent FTE	**134**	**134**	**138**
Temporary FTE*	**15**	**20**	**20**
Associated FTE	**149**	**154**	**158**

*Temporary FTE are term employees paid via GNMA no-year funding. Non-Personnel Sevices and WCF are also paid via GNMA no-year funding.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Government National Mortgage Association (Ginnie Mae) is a revenue generating Government corporation originally chartered to conduct commercial operations for a public purpose. Its operations are integral to the viability of our Nation's housing finance system and its mission is to bring domestic and global capital into that market. Ginnie Mae fulfills its mission by providing a mortgage backed securities (MBS) platform to lenders and attracting investors to the sale of the MBS, which provides the liquidity that keeps funds flowing to lenders, allowing them to continue to originate loans under the Federal Housing Authority (FHA), Veterans Affairs (VA), Rural Housing Services (RHS) and Public and Indian Housing (PIH) programs. At the heart of the demand for the Ginnie Mae MBS is the explicit government guaranty that effectively removes credit risk for investors, making Ginnie Mae MBS a valuable international commodity.

Ginnie Mae's core activities surround its guarantee of timely payment on Ginnie Mae guaranteed-MBS securities. Activities include the key operational functions of approving and monitoring the mortgage lenders who can issue and service the Ginnie Mae MBS, and maintaining the platform over which the MBS is issued, and investors receive payment. Ginnie Mae provides potential investors with the U.S. government's guarantee that they will receive timely payments from said Issuer while they remain in good standing in the Ginnie Mae program. Due to its critical role in providing liquidity to lenders and the housing market, Ginnie Mae is designated by the Federal Government as a Nationally Essential Function (NEF) for protecting and stabilizing the Nation's economy and ensuring public confidence in its financial system. Ginnie Mae's ability to fulfill its NEF role effectively and seamlessly is a direct function of its ability to conduct timely and efficient business operations and transactions and oversee and manage complex program and Issuer risks.

Protecting the government guaranty, by insuring that only financially sound and operationally capable lenders (Issuers) can issue MBS and reliably make payments to investors, has been one of Ginnie Mae's two operational priorities. The other priority has been running the platform over which the MBS are issued, and investors receive payment. Without access to the Ginnie Mae program, lenders would be challenged to offer a 30-year fixed-rate mortgage at affordable interest rates. The fiscal year 2019 Budget request, along with use of Ginnie Mae's accumulated no-year funding, will allow it to meet these priorities while managing a growing and changing portfolio as well as increasing business complexity and risk.

The fiscal year 2019 President's Budget request of $24,400K for Salaries and Expenses (S&E) is $1,556K more than the fiscal year 2018 CR level. The Budget does not request a contingent S&E appropriations due to balances of no-year funds from prior years.

Personnel Services (PS): Ginnie Mae's request of $24,400K will support 138 Full-Time Equivalents (FTE) in fiscal year 2019, including 5 of the most urgently needed new staff. These additional staff are needed for mission critical functions, compliance and oversight functions and related foundational technology development to manage the increasing business complexity and risks associated with growing MBS program volume and dynamic changes in the housing finance market and risk profile of program participants -- to continue seamlessly operating as a successful, self-financed government corporation that supports housing credit access and liquidity across the Nation at no cost, and at limited risk to taxpayers.

Non-Personnel Services (NPS): Ginnie Mae intends to support its NPS requirements in travel, training, contract and supplies using carryover of no-year funds.

Working Capital Fund (WCF): Ginnie Mae's fiscal year 2019 WCF fees of $1,131K, for its use of shared services and other investments directed by the Secretary, will be funded using carryover of no-year funds.

This budget and staffing support the policy goal of "Supporting homeownership through provision of Federal Housing Administration mortgage insurance programs." Ginnie Mae plays an increasingly important role in the U.S. economy and MBS market upon which residential lenders and low and moderate-income homebuyers depend for access to liquidity and credit and is currently funding 1 in 3 new single-family mortgages securitized, with currently outstanding MBS of $1.8 trillion supporting over ten million households. If Ginnie Mae fails to meet either of its roles, liquidity to the housing mortgage market and homebuyer credit access will be insufficient or the taxpayer dollar will be at greater risk. Ginnie Mae will continue to utilize full-time staff to develop its programs and infrastructure in response to market changes, thereby reducing the risk of increased Issuer failures, potential taxpayer losses, and a decrease in the utility of the Ginnie Mae securitization platform, leading to higher interest rates and lower availability of credit for home buyers and borrowers served by the government mortgage insurance programs - FHA, VA, PIH, and RHS.

GNMA Priorities:

- **Carry out mission-critical work** in the *Offices of Issuer and Portfolio Management, Enterprise Risk, Enterprise Data and Technology Solutions, and the Chief Financial Officer*, including building the foundation eventually to reach a right-sized Issuer to staff ratio.
- **Enhance risk management and reduce risks in certain aspects of operations** and management of the portfolio of $1.8 trillion in outstanding 30-year MBS that continues to grow and evolve through market forces. That growth and increased program complexity is affecting all core business processes and has expanded contractor dependence and increased enterprise risk in the most vulnerable areas.
- **Eliminate or lessen single-person dependencies and improve internal controls and efficiency** by providing adequate back-up personnel and segregation of certain duties, particularly in the CFO's office.
- **Address some of the numerous functions that are currently not able to be performed** at all due to the absence of adequate staff in certain areas and the inappropriateness of having contractors perform the functions.
- **Make meaningful progress in audit remediation,** by the *Office of the CFO,* which demands experienced and highly skilled staff with expertise to resolve disclaimers. Current accounting staff and information technology (IT) infrastructure are inadequate to handle the complex loan-level accounting requirements.
- **Build some increased capacity to strengthen management oversight of contractors** across the parts of the enterprise and reduce dependence on contractors for certain core business functions, increase efficiency and contractor effectiveness, reduce cost, and begin to right size significantly lopsided contractor to staff ratio. Inherently Government Functions, such as Issuer and contractor oversight, require Government human resources to execute business operations identified as Ginnie Mae core competencies, for more effective internal controls.

- **Increase oversight of and risk management of non-depository Issuers** by the *Offices of Issuer and Portfolio Management and Enterprise Risk* to allow Ginnie Mae to continue issuing commitment authority, approving servicing transfers and managing Issuer defaults, all critical to ensuring ongoing MBS liquidity and access to credit capital for low/moderate income homebuyers.
  - **MBS Volume Sources have Shifted from Depositories to Non Depositories as Issuers**, from a few large depository institutions to many smaller, unregulated non-depository mortgage companies. Ginnie Mae's Issuer base is almost 80 percent non-banks, issuing 73 percent of MBS.
  - **Ginnie Mae is Primary Evaluator of Non-Depositories** to determine their financial soundness, including their ability to make pass-through payments to investors during the life of a 30-year mortgage.
  - **Highly Skilled Staffing Needed to oversee unregulated non-depository Issuers,** which commonly have lower capital, fewer liquidity sources and more complex and creative financing than traditional banks.
- **Begin to implement Ginnie Mae's comprehensive Issuer Monitoring Framework**, with special focus on troubled Issuer remediation and the Issuer Default Process, to ensure adequate staffing for the broad strategy, expanded actions steps and resources required at each stage of Issuer oversight, remediation and default resolution, including contingency planning for extreme adverse situations.
- **Maintain investor confidence in Issuer stability.** Investors must have confidence that Ginnie Mae properly monitors Issuers to reduce risk of improper prepayments and provide a consistent rate-of return. Loss of investor confidence could adversely affect investor participation in Ginnie Mae's MBS programs.
- **Mitigate against guaranty overextension, which is a growing risk.** Ginnie Mae's model depends on minimizing the activation and the losses to the guaranty of the full faith and credit of the Federal Government. The model only works if Ginnie Mae's risk, operations, monitoring, and securities processes are fully operational.
- **Continue modernization and transformational initiatives** by the *Offices of the CFO, Securities Operations and Enterprise Data and Technology Solutions* necessary to remain competitive in the market; comply with audits, organizational internal controls, security standards (FISMA, FISCAM, NIST Rev. 4) and other regulatory mandates; align with internal policies and procedures. This will eliminate outdated systems technology to facilitate ability to adapt to future Issuer market demands, which will help keep the program relevant, maintain Issuer interest and preserve program cost benefits to borrowers.

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- **Counterparty Issuer Monitoring Initiative**
  Ginnie Mae is re-engineering how it manages its relationship with Issuers, to support their participation in the MBS program and prevent problems from arising within the Ginnie Mae MBS portfolio. This initiative includes the following:

  - Re-orientation of counterparty risk management emphasis
  - Re-organization around strengthened, cross-functional team approach
  - Addition of specialized functions within teams (e.g. account associates, account analysts)
  - Addition of specialized functions supporting teams (e.g. transactions, financing Issuers, data management, program development, training)
  - Re-defined and fully-documented processes for identifying, analyzing, and addressing Issuer-related issues, especially pertaining to counterparty risk

  Benefits
  - Better alignment of Ginnie Mae's organization and functions to business-driven needs
  - Improvement in Ginnie Mae staff's ability to execute these functions successfully
  - Improvement in Ginnie Mae's ability to identify and address counterparty risk and other Issuer-related issues effectively

- **Issuer Failure Resolution Initiative**

  Ginnie Mae is re-engineering how it manages segments of the MSR portfolio where problems have occurred, to ensure that servicing is performed by capable institutions and losses are avoided/minimized. This initiative includes the following:
  - Reformulation of a wide variety of processes (pre-default mitigation, Issuer termination, collateral management, portfolio asset stabilization and management, asset disposition) into an integrated whole
  - Breakdown of key decision points and processes
  - Identification of areas where further development is necessary (e.g. legal, policy, intergovernmental, market, contracts with third-party service providers)
  - Documentation of resulting comprehensive portfolio management program

  Benefits
  - Improved decision making and documentation of procedure, roles and responsibilities relating to the management of troubled segments of the MBS portfolio
  - Improved ability to execute related activities effectively
  - Minimized disruptions and losses resulting from troubled portfolios

POLICY DEVELOPMENT AND RESEARCH
RESEARCH AND TECHNOLOGY
2019 Summary Statement and Initiatives
(Dollars in Thousands)

RESEARCH AND TECHNOLOGY	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$89,000	$13,539a/	...	$102,539	$65,208	$60,589
2018 Annualized CR	89,000	37,309	-$604b	125,705	125,309	67,600
2019 Request	85,000	...	...	85,000	85,000	69,100
Change from 2018	-4,000	-37,309	+604	-40,705	-40,309	+1,500

a/ The carryover includes a Department of Justice Interagency Agreement in the amount of $1.5 million and $534 thousand of recaptured funds.
b/ Public Law 115-56 requires a reduction of 0.6791 percent from the fiscal year 2017 enacted budget authority.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The fiscal year 2019 President's Budget request for Research and Technology (R&T) is $85 million, which is $3 million less than the fiscal year 2018 Annualized CR level.

Through R&T, the Office of Policy Development and Research (PD&R) provides fundamental support for the mission of the Department through policy analysis, research, surveys, and program evaluations, as authorized in Title V of the Housing and Urban Development Act of 1970 (as amended in 1973). R&T supports the research and evaluation function and increases its impact through data infrastructure development, information management, and technical assistance. PD&R's work enables Congress, the Secretary, and other HUD principal staff to make informed decisions on budget and legislative proposals and strengthen housing and community development policy. These funds will provide objective evidence to support better policy and program outcomes in several areas of continuing and growing need:

- Enable the Census Bureau to conduct the 2019 American Housing Survey, the most detailed source of data about the housing stock, housing finance, and characteristics of markets, neighborhoods, and occupants.

- Support the America's Affordable Communities Initiative by identifying and educating the public on the most effective strategies to reduce regulatory barriers by State and local governments to support the creation of more affordable housing for American families.
- Conduct Building Technology research to advance national policy objectives for housing affordability, durability, safety, and accessibility.
- Research policies to improve self-sufficiency for HUD's assisted non-elderly, non-disabled families that include more than 3.1 million children.
- Provide Technical Assistance that ensures that program partners receive the clear guidance they need to effectively implement programs and respond to the complex challenges of housing and community development practice.

2. Request

The requested funding level for R&T provides a basic level of support for three critical functions: 1) Core R&T: Supports the American Housing Survey and other national surveys, and supports knowledge management, research dissemination, and public-private research; 2) Research, Evaluation, and Demonstrations: Supports experimental demonstrations of innovative program concepts, evaluations of current programs, and other policy-focused research; and 3) Technical Assistance (TA): TA resources ensure that HUD program partners and practitioners have access to research-informed guidance in effective practice, are used for the benefit of all of HUD's programs and a variety of HUD's customers, and increase the probability that HUD's grantees and other partners succeed at achieving program goals efficiently.

The three R&T functions serve a broad range of public and private stakeholders by providing reliable housing market data and independent evaluations showing which programs and policies function best, and by supporting implementation with research-informed guidance. Such information products are crucial for a vibrant housing market and accountability to taxpayers.

3. Justification

Core R&T - $50 million

Data Infrastructure: The largest component of Core R&T supports the surveys that constitute the nation's housing data infrastructure. Reliable and well-structured housing datasets inform policymakers about homeowner and rental units, HUD-assisted and unassisted populations, and the nature of affordable housing problems. These data sources are used widely in the private sector and are essential for an efficient housing market--which in 2016 totaled $1.8 trillion of housing services consumed and $700 billion of residential fixed investment, together accounting for 14 percent of the national economy.[1]

The largest survey funded by R&T is the American Housing Survey (AHS). The biennial AHS covers the nation's housing stock, housing finance, and characteristics of markets, neighborhoods, and occupants, and supports national, regional, and metropolitan area estimates. Dozens of research publications each year and innumerable housing policy decisions are based on AHS data. Other surveys funded under Core R&T provide important data necessary to monitor housing finance and local housing market conditions, including the Survey of Construction (SOC), Survey of Market Absorption of Apartments (SOMA), Manufactured Homes Survey (MHS), and Rental Housing Finance Survey (RHFS). PD&R strives to ensure that such surveys are relevant for policy, such as by working with external experts and the Census Bureau in 2017 to develop a survey module for the 2019 AHS that could support a validated index of housing insecurity and that researchers could transfer to other surveys.

Knowledge Management, Dissemination, and Outreach: The second component of Core R&T disseminates research to inform evidence-based policy as well as convene stakeholders for shared learning opportunities. Key beneficiaries of knowledge management activities include HUD grantees, program staff, external experts, international entities, and policy makers. Along with formal research reports and the Cityscape journal, shorter-format periodicals such as U.S. Housing Market Conditions, The Edge, and Evidence Matters help make data and research freely accessible to broad audiences. The Comprehensive Housing Market Analyses produced by PD&R economists provide an in-depth look at economic, demographic, and housing inventory trends of specific housing markets to guide builders, lenders, and others. During fiscal year 2017, there were an average of 1.2 million downloads per month from the HUDUSER.gov research portal.

Research, Evaluation, and Demonstrations - $10 million

PD&R's discretionary research and evaluation is guided by the HUD Research Roadmap, a learning agenda that PD&R develops through an iterative consulting process to ensure that the research function is forward-looking, systematic, and well-structured. The *Research Roadmap: 2017 Update* engaged internal and external stakeholders to identify research questions that will be most important to housing and community development in the future, focusing on questions for which HUD has a comparative advantage.

Research and Technology

HUD anticipates that fiscal year 2019 research, evaluations, and demonstrations will include the following priorities, some arising after the Roadmap publication:

- The EnVision Centers Demonstration.[2] HUD intends to evaluate the impact of EnVision Centers, centralized hubs for supportive services intended to accelerate economic mobility of low-income households. The Centers are located in communities that include HUD-assisted housing, and supported by multi-sector collaborations. The initiative focuses on the four pillars of Economic Empowerment, Educational Advancement, Health and Wellness, and Character and Leadership.

- Research on policies to improve self-sufficiency among work-able assisted residents, including in-house research of economic outcomes for work-able residents involving data linkage and supporting performance measurement.

- America's Affordable Communities Initiatives. HUD seeks to develop and implement strategies that incentivize State and local governments to reduce regulatory barriers to affordable housing. A regulatory barrier is a policy, rule, process or procedure that prohibits, discourages, or substantially increases the cost of new or existing housing without sound, compensating public benefits. The burden of complying with such requirements drives up the cost of housing, leaving many families unable to locate affordable housing near their work or communities. HUD is exploring a variety of options to incentivize and assist state and local governments to reduce regulatory burdens on affordable housing development. These options include improved dissemination of best practices and locally-driven solutions, using R&T funds for a prize competition, as well as offering bonus points for HUD-awarded competitive grants.

- Office of Innovation. As discussed in more detail in the Salaries and Expenses justification, PDR is adding the Office of Innovation. The new office is modeled from the HHS Idea Lab (https://www.hhs.gov/idealab/) and will focus on testing and validating solutions to state, local, and federal housing and community development problems. The Office of Innovation will coordinate with the CIO on matters involving IT innovation.

- Building Technology. Research projects and public-private partnerships are needed in the residential housing design and construction industry to encourage the increased understanding and use of building technologies. Previous research has shown that builders can be reluctant to use new or innovative construction materials or processes unless academic findings and technical publications address their concerns. Builders often find learning about new and innovative systems, products, and materials to be a burden and thus choose to stick to familiar and conventional approaches to the detriment of consumers. This investment in building technology research will include a component for encouraging local adoption of disaster-resilient and affordable housing through the Office of Innovation. Research opportunities will be explored and developed in collaboration with the National Science Foundation and the National Institute for Standards and Technology, along with a variety of housing organizations and universities. A number of valuable building technology research opportunities are available: technologies and materials for hazard mitigation, factory-built housing and construction products, industrialized construction processes, next-generation building technologies and materials, the process of introducing next-generation technologies and materials to the market, the value of recent building code additions and revisions, building technologies for aging in place and accessible housing, and efficiencies to be gained in all stages of construction.

Linking administrative data with survey data and other research datasets is an increasingly important and cost-effective way to address key research and policy questions for the assisted housing population. PD&R is partnering with federal agencies and using administrative linkages to leverage the value of public investments in survey data. Important aspects of such work in 2019 will be leveraging our existing partnership with the Census Bureau's Center for Administrative Records Research and Applications (CARRA) and continuing to advance tenant health research with the National Center for Health Statistics.[3] At minimal cost, several PD&R reports and peer-reviewed papers were published in 2017 that used such linked data to provide the first nationally representative evidence about health status, healthcare access, and healthcare utilization among HUD-assisted adults and children, as well as evidence about the prevalence of elevated blood lead levels of HUD-assisted children compared with other children.[4]

Technical Assistance - $25 million

HUD's technical assistance program equips HUD's customers with the knowledge, skills, tools, capacity, and systems needed to successfully implement HUD programs and policies and be effective stewards of federal funding. HUD plans to issue a 2-year Community Compass Notice of Funding Availability (NOFA) for 2018 and 2019 funds. In addition to the departmental TA in this Research and Technology account, the Community Compass NOFA includes technical assistance funding from other accounts across HUD, such as Public Housing Operating Fund for Administrative Receivership. The Budget proposes to support technical assistance for Native American Housing Assistance and Self Determination Act (NAHASDA) programs through Research and Technology account funding. The assistance will take the form of needs assessment, direct TA, tools and products, training, data analysis, and knowledge management. The cross-funding approach of Community Compass allows TA to address the needs of grantees and sub-grantees across multiple HUD programs and to address cross-agency issues. The 2-year funding model significantly reduces administrative burden and ensures more prompt obligation of TA funds to applicants that have competed and demonstrated significant breadth of experience and expertise in assisting HUD grantees. The Department commits to issuing a new NOFA if it proves necessary to address significant changes to priorities.

To further and continuously improve the TA program, HUD has begun the phased implementation of an outcomes measurement framework that will allow the agency to systematically measure whether the technical assistance and training outcomes were achieved, identify the types of TA and training that are most effective, and collect feedback on HUD's investments in improving communities' capacity to implement HUD programs and policies. In addition, HUD is engaged in a three-year cooperative agreement to assess the scope and effectiveness of the TA program. The assessment will review the effectiveness of HUD's TA data systems for administering the program, examine HUD's processes for committing to and executing TA projects, and undertake in-depth evaluations of 3 to 4 targeted TA engagements. Work on this assessment will run from September 2017 to August 2020.

General Provisions

The President's Budget proposes the following General Provision for Research and Technology:

- Evaluation Funding Flexibility. Allows funding for research, evaluation and statistical purposes that is unexpended at the completion of a contract, grant or cooperative agreement to be deobligated and reobligated for additional research, evaluation or statistical purposes (Sec. 217).

POLICY DEVELOPMENT AND RESEARCH
RESEARCH AND TECHNOLOGY
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Core R&T	$50,000	$2,110	$52,110	$50,414	$49,661	$1,695	$51,356	$50,000
Technical Assistance ..	25,000	2,210	27,210	2,189	24,830	25,000	49,830	25,000
Research, Evaluations, and Demonstrations ...	14,000	7,569	21,569	12,605	13,905	8,964	22,869	10,000
BJA Pay for Success ...	...	1,650	1,650	...	...	1,650	1,650	...
Total	89,000	13,539	102,539	65,208	88,396	37,309	125,705	85,000

POLICY DEVELOPMENT AND RESEARCH
RESEARCH AND TECHNOLOGY
Appropriations Language

The fiscal year 2019 President's Budget includes the appropriation language listed below.

For contracts, grants, and necessary expenses of programs of research and studies relating to housing and urban problems, not otherwise provided for, as authorized by title V of the Housing and Urban Development Act of 1970 (12 U.S.C. 1701z-1 et seq.), including carrying out the functions of the Secretary of Housing and Urban Development under section 1(a)(1)(i) of Reorganization Plan No. 2 of 1968, and for technical assistance, $85,000,000, to remain available until September 30, 2020: Provided, That with respect to amounts made available under this heading, notwithstanding section 204 of this title, the Secretary may enter into cooperative agreements with philanthropic entities, other Federal agencies, State or local governments and their agencies, or colleges or universities for research projects: Provided further, That with respect to the previous proviso, not more than 50 percent of the cost of such projects may come from amounts made available under this heading.

Note.—A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

FAIR HOUSING AND EQUAL OPPORTUNITY
FAIR HOUSING PROGRAMS
2019 Summary Statement and Initiatives
(Dollars in Thousands)

FAIR HOUSING PROGRAMS	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$65,867[a]	$6,472	...	$72,339	$40,150	$63,971
2018 Annualized CR	65,300	32,004[b]	-$443[c]	96,861	65,000	65,000
2019 Request	62,300	31,861	...	94,161	62,000	66,000
Change from 2018	-3,000	-143	+443	-2,700	-3,000	+1,000

a/ The 2017 enacted level includes $567 thousand collected in National Fair Housing Training Academy (NFHTA) fees.
b/ The 2018 carryover excludes $185 thousand in expired funding.
c/ Public Law 115-56 requires a reduction of 0.6791 percent from the fiscal year 2017 enacted budget authority.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 President's Budget request for the Fair Housing Program is $62.3 million, which is $2.6 million less than the 2018 Annualized CR Level. The mission of HUD's Office of Fair Housing and Equal Opportunity (FHEO) is "to eliminate housing discrimination, promote economic opportunity, and achieve diverse, inclusive communities by leading the nation in the enforcement, administration, development, and public understanding of federal fair housing policies and laws." FHEO's cardinal duty, therefore, is to create equal housing and credit opportunities for all persons living in America. The Fair Housing Program funds four activities: (1) Fair Housing Initiatives Program (FHIP); (2) Fair Housing Assistance Program (FHAP); (3) Limited English Proficiency Initiative (LEPI); and (4) National Fair Housing Training Academy (NFHTA). Along with the work of HUD's Office of Fair Housing and Equal Opportunity, these programs work in concert to redress injuries to victims, prevent housing discrimination and eliminate segregation.

Fair Housing Activity	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request	Increase/Decrease From FY 2018
Fair Housing Initiatives Program (FHIP)	$39,200,000	$38,933,793	$36,200,000	-$2,733,793
Fair Housing Assistance Program (FHAP)	24,300,000	24,134,979	24,300,000	165,021
Limited English Proficiency Initiative (LEPI)	300,000	297,963	300,000	2,037
National Fair Housing Training Academy (NFHTA)*	1,500,000	1,489,813	1,500,000	10,187
Program Total	**$65,300,000**	**$64,856,548**	**$62,300,000**	**-$2,556,548**

*Does not include fees collected from program participants.

2. Request

Fair Housing Initiatives Program

The Fair Housing Initiatives Program (FHIP) provides fair housing enforcement and education nationally. This is accomplished through the interplay of three major components: the Private Enforcement Initiative (PEI), the Fair Housing Organizations Initiatives (FHOI), and the Education and Outreach Initiatives (EOI). PEI supports high quality, effective investigations and testing by private fair housing organizations in more than 120 communities. A second major initiative, FHOI enhances the capacity of existing organizations to provide fair housing enforcement services or creates new organizations in areas of the country which are underserved or unserved or those areas where large concentration of protected classes exist. Through EOI, FHIP grantees conduct education campaigns on the rights, responsibilities, remedies, and resources available under the Fair Housing Act. Each year the Department awards local and regional grants that fund more than 31,000 local education and outreach efforts, working with people in the communities to provide information, referrals, education and training on fair housing rights. In addition, the Department awards a national fair housing education and outreach grant to disseminate a broad national fair housing message. A separate education program, Fair Housing accessibility FIRST educates builders, designers, architects, and planners on the Fair Housing Act's accessibility.

The request of $36.2 million would continue to fund private fair housing organizations that interview potential complainants and conduct investigations to include testing for unlawful discrimination and supporting local compliance with the Fair Housing Act. This level of funding will:

- Allow a variety of education and outreach activities for consumers and the housing industry, including media campaigns;
- Allow for the continued operation of the Accessibility Fair Housing Instruction Resources Support and Technical guidance (Accessibility FIRST) that trains industry professionals on the design and construction requirements of the Fair Housing Act;
- Provide $30.4 million annual funding level to multiyear Private Enforcement Initiative grantees to serve the nation's largest metropolitan areas; and
- Continue support for one or more Education and Outreach Initiative (EOI) national education and outreach media campaigns.

Fair Housing Initiative Program (FHIP)	**FY 2017 Enacted**	**FY 2018 Annualized CR**	**FY 2019 Request**	**Increase/Decrease From FY 2018**
Private Enforcement Initiative	$30,350,000	$30,350,000	$30,350,000	...
Education and Outreach Initiative	7,449,935	7,583,793	4,850,000	-2,733,793
Fair Housing Organizations Initiative (FHOI)	900,000	500,000	500,000	...
FIRST	500,065	500,000	500,000	...
Activity Total	**$39,200,000**	**$38,933,793**	**$36,200,000**	**-$2,733,793**

Fair Housing Assistance Program

The Fair Housing Assistance Program (FHAP) provides consistent and dependable funding to HUD's partner state and local civil rights enforcement agencies that provide rights, remedies, and procedures that are equivalent to the Fair Housing Act. FHAP provides support to approximately 83 state and local government civil rights agencies to investigate and prosecute housing discrimination within their jurisdictions. These agencies investigate the majority (approximately 80 percent) of the administrative fair housing complaints filed in the country to ensure compliance with fair housing laws, and, where necessary, litigate complaints to address violations.

The $24.3 million Fair Housing Assistance Program (FHAP) request would continue to support state and local fair housing administrative agencies that interview potential complainants and conduct investigations. This level of funding will:

- Provide for the investigation and remedy of complaints of discrimination;
- Deter willful violators through enforcement of fair housing laws;
- Educate potential victims both to assert their civil rights and to seek remedies.
- Enhance FHAP program outcomes through the award of Partnership funds and Special Enforcement Effort funds, subject to the availability of funds.

Fair Housing Assistance Program (FHAP)	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request	Increase/Decrease From FY 2018
Complaint Processing	$17,000,000	$ 16,978,500	$17,370,739	$392,239
Administrative Costs	4,400,000	4,602,323	4,498,011	-104,312
Training	2,100,000	2,354,156	2,231,250	-122,906
SEE Funding	800,000	100,000	100,000	...
Partnership	0	100,000	100,000	0
Activity Total	**$24,300,000**	**$24,134,979**	**$24,300,000**	**$165,021**

Limited English Proficiency Initiative

The Limited English Proficiency Initiative (LEPI) is a direct initiative to ensure HUD's compliance with Executive Order 13166 requiring federal agencies to assess and address the needs of otherwise eligible persons seeking access to federally-conducted programs and activities who, due to limited English proficiency (LEP), cannot fully and equally participate in or benefit from those programs and activities.

The Limited English Proficiency Initiative (LEPI) funding level request of $300 thousand would provide:

- Department-wide language services contracts that support all HUD program offices efforts to fulfill its mission critical work. For example, the LEPI funds ensured that over 600 documents were translated for the public, including many to address the Hurricane Disaster Recovery work.
- Support for Fair Housing and Equal Opportunity's responsibility to investigate housing discrimination complaints, conduct compliance reviews of HUD-funded recipients, and provide Fair Housing civil rights information to the public. Additionally, LEPI supports the Offices of the Secretary and Deputy Secretary, Administration, Field Policy & Management, HUD Emergency Operations Center, Office of Housing Counseling, Public Affairs, Public and Indian Housing, Office of Housing, and Lead Hazard Control and Healthy Homes in their efforts to address the needs of the public regarding civil rights, housing opportunities, and disaster recovery.

Limited English Proficiency Initiative (LEPI)	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request	Increase/Decrease From FY 2018
LEPI	**$300,000**	**$297,963**	**$300,000**	**$2,037**

National Fair Housing Training Academy

The Patricia Roberts Harris National Fair Housing Training Academy (NFHTA) NFHTA provides fair housing and civil rights training to federal, state, and local agencies, educators, attorneys, industry representatives, FHEO staff, and other housing industry professionals. NFHTA has offered a 5-week investigator certification program and advanced courses in lending, accessibility, executive leadership, and conciliation. This investment in the capacity of fair housing professionals allows the FHAP to operate more efficiently and produce cases with larger impacts in coming years. Cost factors include instructor time and travel costs and overhead, curriculum development and updates and development of consistent fair housing education materials.

NFHTA temporarily stopped providing classes in September 2017 in order to find a more cost-effective approach to structuring the academy. HUD plans to re-establish NFHTA by fiscal year 2019 to solely focus on the 5-week certification program and become an entirely online learning experience. This would reduce expenditures on instructor travel and the maintenance of a physical location.

National Fair Housing Training Academy (NFHTA)	FY 2017 Enacted	FY 2018 Annualized CR	FY 2019 Request	Increase/Decrease From FY 2018
NFHTA	$1,500,000	1,489,814	$1,500,000	$10,187

3. Justification

Efficiency and Effectiveness of the Programs

The exclusion of African Americans and other minorities from neighborhoods that offer high quality schools and access to jobs and quality services has perpetuated racial inequalities in the United States. A study on the effect of housing segregation on Latino employment found that in cities with greater segregation, employment rates were lower for Latino men, and as these cities became more segregated over a 20-year period, employment rates of Latino men decreased even further.[1] Racial segregation has also been identified as having a negative effect on communities' economic growth as well as on individual skill sets.[2] America cannot reach its fullest potential compared to the rest of the world if segregation and discrimination prevent people from accessing good schools and good jobs.

Despite the persistence of discrimination, federally funded fair housing enforcement and education have complimented and reinforced social changes. There are four complementary mechanisms by which Congressional appropriations for FHAP, FHIP, and NFHTA reduce housing discrimination:

1. Detection and remedy of discrimination;

[1] Dickerson von Lockette and Jacqueline Johnson, "Latino Employment and Residential Segregation in Metropolitan Labor Markets, "Du Bois Review, 7(1), 2010.
[2] Li Huiping, Campbell, Harrison, Fernandez, Steven, "Residential Segregation, Spatial Mismatch and Economic Growth across US Metropolitan Areas," (2013) available at http://usj.sagepub.com/content/50/13/2642

2. Deterrence of willful violators through increased severity, immediacy, or probability of penalties;
3. Education of violators about their legal responsibilities; and
4. Educating potential victims both to assert their civil rights and to seek remedies.

The FHIP, the FHAP, and the NFHTA address housing discrimination and its long-term consequences and are the only funded programs in the federal government dedicated to assisting individuals to get justice for housing discrimination. Along with the work of HUD's Office of Fair Housing and Equal Opportunity, these programs work in concert to redress injuries to victims, prevent housing discrimination and eliminate segregation.

HUD's fair housing programs each play a crucial and unique role in the Department's work to support fair housing enforcement and education and to strengthen the efforts of states, communities, and public housing authorities to prevent discrimination. Though Title VIII of the Civil Rights Act of 1968 outlawed housing discrimination more than 45 years ago, housing discrimination of all types continues in communities throughout the nation.

Enforcement

While HUD has the primary responsibility for enforcement of the Fair Housing Act, it cannot possibly fulfill this vital responsibility without its partners, both public (FHAP) and private (FHIP). These partners are valuable because they provide local knowledge and context to HUD's enforcement efforts. The FHAP program fills a crucial gap—ensuring that potential victims of housing discrimination have the opportunity to pursue relief for alleged fair housing violations. The National Fair Housing Alliance, a national consortium of more than 220 private, non-profit fair housing organizations, state and local civil rights agencies, and individuals, estimates that more than 4.0 million people every year are victims of discrimination.[3] The HUD-sponsored Housing Discrimination Study (HDS 2012) concluded that while the most blatant forms of housing discrimination have declined, other, less easily detectable forms of discrimination persist, affecting millions of American families annually, keeping them from the opportunities they deserve.

The total number of fair housing complaints filed under the Fair Housing Act and equivalent state and local laws in fiscal year 2017 was 8,166; FHAP agencies processed 6,862 or 84.0 percent, of those complaints. This represents a 0.4 percent increase from fiscal year 2016. FHAP agencies serve as the initial point of contact for persons who believe they have been subject to fair housing violations. In fiscal year 2017, FHAP agencies initiated more than half (58.4 percent) of the complaints filed, and the share of FHAP initiated complaints has grown steadily since fiscal year 2010, demonstrating the value of the local presence of FHAP agencies.

HUD's FHAP partners achieve positive outcomes for numerous complainants and other affected parties and represent a cost-effective strategy for the execution of HUD's Fair Housing Act enforcement responsibilities. FHAP agencies routinely process over 80 percent

[3] National Fair Housing Alliance, 2013 Fair Housing Trends Report; Modernizing the Fair Housing Act for the 21st Century, 2013.

of the fair housing cases filed with HUD. In addition, the efficiencies of local processing lead to greater timeliness by FHAP agencies almost half (44.8 percent) of all FHAP cases completed in fiscal year 2017 were completed in less than 100 days. FHAP agencies vindicate the rights of victims of unlawful housing discrimination through both enforcement of cause findings and through conciliation – FHAP agencies successfully conciliated 28.8 percent of their cases in fiscal year 2016. The resolution of these cases opens doors to housing opportunities that otherwise would have been closed, provide monetary relief to aggrieved persons and secure reasonable accommodations and modifications for persons with disabilities who might otherwise be unable to obtain housing suited to their needs. In addition to obtaining relief for victims, FHAP agencies often obtain relief for the greater community as well in the form of public interest relief such as changes in discriminatory policies and training for housing providers who have violated fair housing laws.

FHAP's state and local agencies provide a presence in their communities to serve the needs of their own citizens. Because of the timeliness of FHAP investigations and efficiencies gained through local presence (the average age of FHAP closed cases is consistently well below the age of HUD-closed cases), the FHAP program allows HUD to meet its own responsibilities with respect to civil rights enforcement – through its enforcement partners – in a cost-effective manner. The presence of a FHAP agency in a community increases the likelihood that a victim of discrimination will file a complaint. For fiscal year 2019, FHEO also intends to use its existing authority to enhance FHAP program outcomes, to further educate individuals about their fair housing rights and to support increased enforcement of reasonable cause findings, through the award of Partnership and Special Enforcement Effort funds.

Education

A study of FHIP-referred complaints to HUD and FHAP agencies found that 90 percent of FHIP-generated inquiries referred to HUD are converted to complaints. Cases closed from historical data found that where a FHIP-funded organization was a complainant, 63 percent were conciliated and settled, and for cases where a FHIP-funded organization represented a complainant, 36 percent of the cases were conciliated and settled. Moreover, FHIP-referred cases also had a higher cause finding rate, and FHIP-referred cases ending in a cause finding took less time to complete. These findings are likely a result of FHIPs evaluating inquiries and developing complaints, and providing crucial testing evidence to support complaints. Further, FHIP has funded a comprehensive Tester Coordinator training program to build consistency in testing among all FHIP funded enforcement organizations.

On December 4, 2015, a lawsuit was filed in the United States District Court, Western District of Oklahoma by the Metropolitan Fair Housing Council of Oklahoma, Inc. (MFHC, Inc.), and plaintiffs against landlords and business entities for discrimination, harassment and retaliation in violation of the Fair Housing Act and related state statutes. The complaint alleged that since 2008, the landlords discriminated against female tenants on the basis of sex by subjecting them to severe, pervasive and unwelcome sexual harassment. Additionally, since 2008, the landlords engaged in a pattern or practice of discrimination that targeted mostly poor, African American, single women and mothers with children for sexual harassment; and that he targets this group of tenants, exploiting their vulnerability to demand or extract sexual favors from them. In December 2017, MFHC, Inc. announced a settlement of $800,000 by a Consent Decree. The landlords shall cease and desist from any contact or communication with any person occupying or seeking to occupy a rental dwelling managed or operated by any defendant. The decree also includes mandatory fair housing training for all defendants and their agents, current and new employees; adopting a written policy prohibiting discrimination, including sexual harassment; displaying HUD Fair Housing posters in rental properties and providing HUD Fair Housing complaint brochures to current and new tenants.

Victories for fair housing like this are possible because of the partnerships formed between HUD and local public and private fair housing organizations. The hard work of these organizations together with HUD grants help ensure that Americans across the country receive equal access to housing, neighborhoods, and opportunity.

Funding for FHAP agencies and FHIP organizations both contribute substantially to the first two mechanisms, detection and deterrence. NFHTA enhances the first two factors by increasing the capacity of local partners to improve the timeliness, consistency, and probability of detection and conciliation. Speedy and successful investigations, especially when publicized,[4] strengthen the deterrence of willful violations. FHIP education and outreach efforts primarily operate through the latter two mechanisms, educating landlords/agents, as well as those seeking housing.

Further, similar to fiscal year 2016, HUD would provide EOI funding to the National Media campaign to support training and education and outreach on a national basis. For example, our current EOI National Media TV PSA campaign received over $6.5 million in donated media and achieved over 280 million household impressions. The radio campaign received over $625,000 in donated media and reached over 21 million listeners.

The long-term results of HUD's efforts to combat housing discrimination are seen both in reduced discrimination in HDS studies and in controlled econometric studies. The Department's Housing Discrimination against Racial and Ethnic Minorities Study (HDS)[5] in 2012 found that real estate agents and rental housing providers recommend and show fewer available homes and apartments to minority families, thereby increasing their costs and restricting their housing options. However, the study also showed that FHIP and FHAP are having an effect, finding that, "long-term trends in patterns of discrimination suggest that the attitudes and actions of rental and sales agents have changed over time, and that fair housing enforcement and public education are working." The 2012 HDS recommended follow-up testing and enforcement so that enforcement strategies do not rely primarily on individual complaints

[4] Myers, Samuel L., Jr. "Final Report: The Deterrent Effects of Media Accounts and HUD Enforcement on Racial Disparities in Loan Denial Rates." 2007. http://www.hhh.umn.edu/centers/wilkins/pdf/HUD_finalreport_march2009.pdf.

[5] Housing Discrimination Against Racial and Ethnic Minorities, (2012) at page 13, *available at* http://www.huduser.org/Publications/pdf/HUD-514_HDS2012_execsumm.pdf

of suspected discrimination. It recommended that HUD encourage the local fair housing organizations it funds to conduct more proactive testing.[6] Studies of the effectiveness of FHIP have shown that FHIP agencies increase the number and quality of fair housing complaints investigated. In addition, the 2012 HDS found continued evidence of discrimination against Black and Asian home-seekers, although reduced from prior studies. Ross and Galster studied variation of enforcement activity between metropolitan areas, and concluded, "Higher amounts of state and local enforcement activity supported by HUD through its FHIP and FHAP programs (especially the amount of dollars awarded by the courts) were consistently associated with greater declines in discrimination against black apartment-seekers and home-seekers." [7]

General Provisions

The President's Budget proposes the following General Provision for Fair Housing Programs:

- The Department will not use its authority under the Fair Housing Act to investigate or prosecute legal activity (Section 202).

[6] Ibid.
[7] Ross, Stephen L., and George C. Galster. "Fair Housing Enforcement and Changes in Discrimination between 1989 and 2000: An Exploratory Study." University of Connecticut Working Paper 2005-16, 2005.

FAIR HOUSING AND EQUAL OPPORTUNITY
FAIR HOUSING PROGRAMS
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Fair Housing Intiatives Program	$39,200	$1,500	$40,700	$16,014	$38,934	$24,681	$63,615	$36,200
Fair Housing Assistance Program	24,300	4,564	28,864	23,850	24,135	5,015	29,150	24,300
Fair Housing Limited English Proficiency Program	300	280	580	286	298	241	539	300
National Fair Housing Training Academy	2,067	128	2,195	...	1,490	2,067	3,557	1,500
Total	65,867	6,472	72,339	40,150	64,857	32,004	96,861	62,300

FAIR HOUSING AND EQUAL OPPORTUNITY
FAIR HOUSING PROGRAMS
Appropriations Language

The fiscal year 2019 President's Budget includes the appropriation language listed below.

For contracts, grants, and other assistance, not otherwise provided for, as authorized by title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988, and section 561 of the Housing and Community Development Act of 1987, as amended, $62,300,000, to remain available until September 30, 2020: Provided, That notwithstanding 31 U.S.C. 3302, the Secretary may assess and collect fees to cover the costs of the Fair Housing Training Academy, and may use such funds to provide such training: Provided further, That no funds made available under this heading shall be used to lobby the executive or legislative branches of the Federal Government in connection with a specific contract, grant, or loan: Provided further, That of the funds made available under this heading, $300,000 shall be available to the Secretary for the creation and promotion of translated materials and other programs that support the assistance of persons with limited English proficiency in utilizing the services provided by the Department of Housing and Urban Development.

Note.—A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

OFFICE OF LEAD HAZARD CONTROL AND HEALTHY HOMES
LEAD HAZARD REDUCTION
2019 Summary Statement and Initiatives
(Dollars in Thousands)

LEAD-BASED PAINT HAZARD REDUCTION PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$145,000	$4,262	...	$149,262	$132,139	$101,645
2018 Annualized CR	145,000	16,953	-$985	160,968	144,015	104,000
2019 Request	145,000	17,000	...	162,000	145,000	118,000
Change from 2018	...	+47	+985	+1,032	+985	+14,000

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 President's Budget requests $145 million for the Lead Hazard Control and Healthy Homes program, which is $985,000 above the fiscal year 2018 Annualized CR Level. The program protects low-income families, particularly those with children, from exposures to lead from house paint and the lead-contaminated dust and soil it creates, while concurrently addressing multiple health hazards in these homes that contribute to such conditions as asthma, cancer, and/or unintentional injuries. The Office of Lead Hazard Control and Healthy Homes (OLHCHH) also funds grants that develop cost-effective ways to reduce lead-based paint hazards, enforces lead-based paint regulations, provides outreach and technical assistance, and conducts technical studies to develop and evaluate methods to protect children and their families from health and safety hazards in the home.

2. Request

At the 2019 Budget level, the OLHCHH will make funds available to achieve results under the following programs:

- Lead- Hazard Control Grants: $60 million in grants to make 5,000 unassisted low-income older homes free of lead-based paint hazards.
- Lead Hazard Reduction Demonstration: $55 million in grants to make 4,500 unassisted low-income older homes free of lead-based paint hazards.

Lead Hazard Reduction

- Healthy Homes Grants and Support:
    - $20 million in Healthy Homes Supplements to the Lead Hazard Control grant programs, above, to mitigate 6,700 homes having lead-based paint hazards being controlled of multiple health hazards to address conditions that contribute to asthma, cancer, and unintentional injuries.
    - $5 million in grants and contracts to further the understanding of housing conditions and their connections to resident health, identify effective interventions and preventive practices, demonstrate health and economic benefits of interventions, and provide technical support and training, grant management and evaluation tools.
- Lead Technical Studies and Support: $5 million to develop detection, evaluation, and control technologies regarding lead and other residential hazards, and provide the basis for the building, housing, scientific, and public health communities to address the hazards more efficiently and broadly. The technical studies and assistance activities are conducted through grants, cooperative agreements, and contracts, and include technical support and training, grant management and evaluation tools, and interagency collaboration projects.

3. Justification

OLHCHH's mission is to provide safe and healthy homes for at-risk families and children by promoting and funding the identification and repairs in at-risk housing to address conditions that threaten the health of residents. The OLHCHH coordinates disparate health and housing agendas, supports key research, targets enforcement efforts, and provides tools to build sustainable local programs that mitigate housing-related health hazards. The OLHCHH assists States and local governments in remedying unsafe housing conditions and addressing the acute shortage of decent and safe dwellings for low-income families. The OLHCHH collaborates with nonfederal partners, especially philanthropies, to create local, regional, and national partnerships in both the childhood lead safety and healthy homes arenas, and has strong collaborations with other federal agencies, e.g., HHS, EPA, and USDA, such as through its chairing the Healthy Homes Working Group and its participating in, e.g., the Children's Environmental Health Task Force, Asthma Disparities Working Group, and Federal Bedbug Working Group.

Lead Hazard Reduction and Control

Lead paint in housing presents one of the largest threats to the health, safety, and future productivity of America's children, with over 23 million homes (52 percent of the homes built before 1978) having significant lead-based paint hazards.[1] The OLHCHH's Lead Hazard Control Program currently includes the Lead Based Paint Hazard Control (LBPHC) and Lead Hazard Reduction Demonstration (LHRD) grant programs. The two programs' overall lead-safe low-income housing goal is the same, with the LHRD grant program

[1] As determined by the OLHCHH's American Healthy Homes Survey I (Dewalt FG et al. Prevalence of Lead Hazards and Soil Arsenic in U.S. Housing. J. Env. Health. 78(5):22-29 (2015)).

(begun in 2003), focusing on work in cities, counties/parishes, or other units of local government with the most pre-1940 rental housing and highest rates of childhood lead poisoning cases, and the original, LBPHC, program (begun in 1993), open to a broader range of States, Native American Tribes, and communities. Funding is projected to make the pre-1978 housing units enrolled in the grants lead-safe at an average of $12,000 per unit.

HUD has rigorously evaluated the effectiveness of the programs, determining them effective in both the pure outcome measure (i.e., reducing children's blood lead levels),[2] and the long-term effectiveness of the hazard controls.[3] The programs offer high returns for children's reduced healthcare costs and later increased work productivity, i.e., $17–$221 per dollar controlling lead paint hazards.[4]

Healthy Homes

The Healthy Homes program goes beyond just addressing lead-based paint hazards and covers other serious threats to residents' health and safety. While grantees can use Lead Hazard Control funds to remove or repair the lead paint in a residence, those grants cannot address mold clean up, smoke detector installation, lead-containing water supply component replacement, or other unsafe or unhealthy conditions present in those same houses. The major portion of the Healthy Homes funding is for Healthy Homes Supplements to the Lead Hazard Control grants, which allow grantees to address residential hazards other than the lead-based paint hazards for which the grants can use their Lead funds authorized by Title X, in the unassisted low-income older homes in which the grantees are controlling lead-based paint hazards. The Healthy Homes Supplement approach is efficient in that the outreach, recruitment, enrollment, and monitoring processes for getting work done in the home have already been developed and implemented for the lead hazard control work, so that smaller, incremental efforts are needed, primarily in assessing homes for the presence of hazards other than lead-based paint and mitigating those the hazard. Funding for Healthy Homes Supplements is projected to make homes healthy at an average of $3,000 per unit. Note that, with heightened national interest in lead in residential water, Healthy Homes Supplement funds may increasingly be used for lead service line and interior lead plumbing replacement (about $2,000 - $5,000 per housing unit); this may increase the average per-unit Supplement costs accordingly.

Healthy Homes programs yield high returns on investment, e.g., reducing household allergens, which contribute to asthma and allergies, yields $5.30 - $16.50 per dollar,[5] and installing battery-operated smoke alarms, $18.[6]

Healthy homes program funds also support contracts for national surveys, training, and public education programs that help State, local, and nongovernmental agencies, housing industry stakeholders, and the public to understand the issues; and the Healthy

[2] Clark S, et al. Effects of HUD-supported lead hazard control interventions in housing on children's blood lead. Env. Research. 111(2):301–311 (2011)

[3] Dixon SL, et al. Window replacement and residential lead paint hazard control 12 years later. Env. Research. 113(1):14-20 (2012)

[4] Gould E., Childhood Lead Poisoning: Conservative Estimates of the Social and Economic Benefits of Lead Hazard Control. Env. Health Perspectives. 117(7):1162-7 (2009)

[5] Nurmagambetov TA et al., 2011. Economic Value of Home-Based, Multi-Trigger, Multicomponent Interventions with an Environmental Focus for Reducing Asthma Morbidity: A Community Guide Systematic Review. American Journal of Preventive Medicine. 41(2S1): S33–S47. (2011)

[6] Children's Safety Network/Pacific Institute for Research and Evaluation. Injury Prevention: What Works? A Summary of Cost-Outcome Analysis for Injury Prevention Programs (2014 Update)

Homes Technical Studies Grant Program (discussed below), which develops and evaluates effective interventions and preventive practices to reduce or eliminate health and safety hazards in homes.

Technical Studies and Support
The 2019 Budget includes $10 million for Lead and Healthy Homes Technical Studies and Assistance ($5 million for Lead Technical Studies, and $5 million from within the Healthy Homes Program). The funding will continue HUD's significant progress furthering the national understanding of housing conditions and their connections to resident health, which includes identifying effective interventions and preventive practices, and demonstrating health benefits of targeting interventions to reduce or eliminate health and safety hazards in homes.

The technical studies have helped develop detection, evaluation, and control technologies regarding lead and other residential hazards, and provided the basis for the building, housing, scientific, and public health communities to address the hazards more efficiently and broadly. The technical studies and assistance activities are conducted through grants, cooperative agreements, and contracts, and include technical support and training, grant management and evaluation tools, and interagency collaboration projects.

General Provisions

The President's Budget proposes the following General Provisions for the Lead Hazard Control and Healthy Homes program:

- An increased threshold for lead abatement under the Lead Safe Housing statute (42 U.S.C. 4822(a)(1)) to reflect inflation since the enactment of that statute (Section 232)

- Subpoena authority for enforcement of the Lead Disclosure Statute (42 U.S.C. 4852d) (Section 233)

OFFICE OF LEAD HAZARD CONTROL AND HEALTHY HOMES
LEAD HAZARD REDUCTION
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Lead Hazard Control Grants	$58,000	$176	$58,176	$58,573	$57,015	...	$57,015	$60,000
Lead Technical Studies and Support	2,000	1,879	3,879	2,427	2,000	$996	2,996	5,000
Healthy Homes Grants and Support	30,000	2,207	32,207	19,312	30,000	13,357	43,357	25,000
Lead Hazard Reduction Demonstration	55,000	...	55,000	51,827	55,000	2,600	57,600	55,000
Total	145,000	4,262	149,262	132,139	144,015	16,953	160,968	145,000

OFFICE OF LEAD HAZARD CONTROL AND HEALTHY HOMES
LEAD HAZARD REDUCTION
Appropriations Language

The fiscal year 2019 President's Budget includes proposed changes in the appropriation language listed below.

For the Lead Hazard Reduction Program, as authorized by section 1011 of the Residential Lead-Based Paint Hazard Reduction Act of 1992, $145,000,000, to remain available until September 30, 2020, of which up to $25,000,000 shall be for the Healthy Homes Initiative, pursuant to sections 501 and 502 of the Housing and Urban Development Act of 1970 that shall include research, studies, testing, and demonstration efforts, including education and outreach concerning lead-based paint poisoning and other housing-related diseases and hazards: Provided, That for purposes of environmental review, pursuant to the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.) and other provisions of the law that further the purposes of such Act, a grant under the Healthy Homes Initiative, or the Lead Technical Studies program under this heading or under prior appropriations Acts for such purposes under this heading, shall be considered to be funds for a special project for purposes of section 305(c) of the Multifamily Housing Property Disposition Reform Act of 1994: Provided further, That of the total amount made available under this heading, an amount to be determined by the Secretary shall be made available on a competitive basis for areas with the highest lead paint abatement needs: Provided further, That each recipient of funds provided under the previous proviso shall contribute an amount not less than 25 percent of the total: Provided further, That each applicant shall certify adequate capacity that is acceptable to the Secretary to carry out the proposed use of funds pursuant to a notice of funding availability: Provided further, That amounts made available under this heading in this or prior appropriations Acts, and that still remain available, may be used for any purpose under this heading notwithstanding the purpose for which such amounts were appropriated if a program competition is undersubscribed and there are other program competitions under this heading that are oversubscribed.

Note.—A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2018 (P.L. 115–56). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SALARIES AND EXPENSES

	FY 2017 Actuals					FY 2018 Annualized CR					FY 2019 President's Budget					FY 2018 to FY 2019	
	FTE	PS	NPS	WCF	Amount	FTE	PS	NPS	WCF	Amount	FTE	PS	NPS	WCF	Amount	FTE	Amount
						(Dollars in Thousands)											
EXECUTIVE OFFICES	**67**	**$11,188**	**$903**	**$783**	**$12,874**	**76**	**$12,189**	**$934**	**$782**	**$13,905**	**86**	**$13,606**	**$1,419**	**$558**	**$15,583**	**9**	**$1,678**
ADMINISTRATIVE SUPPORT OFFICES																	
Office of the Chief Financial Officer	175	33,717	14,451	3,659	51,827	169	33,934	15,263	3,443	52,640	164	33,430	10,459	3,991	47,880	(5)	(4,760)
Office of the General Counsel	557	88,730	4,389	1,585	94,704	544	89,008	4,192	1,403	94,603	518	85,635	3,611	2,028	91,274	(26)	(3,329)
Office of Administration	229	31,621	188,909	971	221,501	238	33,580	170,615	903	205,098	238	33,921	176,237	2,428	212,586	0	7,488
Office of the Chief Human Capital Officer	143	29,171	9,396	1,122	39,689	140	29,064	9,971	942	39,977	134	28,415	8,415	1,420	38,250	(6)	(1,727)
Office of Field Policy and Management	333	49,615	772	1,285	51,672	318	48,674	856	1,124	50,654	303	46,809	856	1,399	49,064	(15)	(1,590)
Office of the Chief Procurement Officer	112	16,309	781	1,356	18,446	110	16,379	470	1,095	17,944	112	16,839	510	1,329	18,678	2	734
Office of Departmental Equal Employment Opportunity	18	2,602	826	246	3,674	19	2,868	731	205	3,804	19	2,953	327	135	3,415	0	(389)
Office of Business Transformation	32	4,627	34	273	4,934	28	4,213	24	232	4,469	21	3,210	22	136	3,368	(7)	(1,101)
Office of the Chief Information Officer	211	33,602	10,511	1,995	46,108	207	34,040	9,249	1,654	44,943	190	31,483	9,925	1,449	42,857	(17)	(2,086)
SUBTOTAL	**1,810**	**289,994**	**230,069**	**12,492**	**532,555**	**1,772**	**291,760**	**211,371**	**11,001**	**514,132**	**1,698**	**282,695**	**210,362**	**14,315**	**507,372**	**(74)**	**(6,760)**
PROGRAM OFFICES																	
Public and Indian Housing	1,364	194,736	8,630	9,533	212,899	1,316	196,018	9,956	8,559	214,533	1,273	191,395	8,279	9,799	209,473	(43)	(5,060)
Community Planning and Development	725	101,477	3,026	4,123	108,626	695	102,077	3,230	3,946	109,253	669	99,271	1,759	4,876	105,906	(26)	(3,347)
Housing	2,533	348,817	10,077	10,642	369,536	2,406	343,786	35,894	9,658	389,338	2,339	337,528	9,000	12,920	359,448	(67)	(29,890)
Policy Development and Research	142	21,097	1,353	1,183	23,633	139	21,380	1,383	1,074	23,837	147	22,755	1,339	1,272	25,366	8	1,529
Fair Housing and Equal Opportunity	496	66,225	3,139	1,863	71,227	491	68,002	1,803	1,706	71,511	481	67,304	1,758	2,250	71,312	(10)	(199)
Office of Lead Hazard Control and Healthy Homes	45	6,773	291	576	7,640	47	7,245	1,608	436	9,289	43	6,715	258	567	7,540	(4)	(1,749)
SUBTOTAL	**5,304**	**739,125**	**26,516**	**27,920**	**793,561**	**5,094**	**738,508**	**53,874**	**25,379**	**817,761**	**4,952**	**724,968**	**22,393**	**31,684**	**779,045**	**(142)**	**(38,716)**
TOTAL HUD Salaries and Expenses	**7,182**	**$1,040,307**	**$257,488**	**$41,195**	**$1,338,990**	**6,942**	**$1,042,457**	**$266,179**	**$37,162**	**$1,345,798**	**6,736**	**$1,021,269**	**$234,174**	**$46,557**	**$1,302,000**	**(206)**	**($43,798)**
Government National Mortgage Association	134	22,702	-	-	22,702	134	22,844	-	-	22,844	138	24,400	-	-	24,400	4	1,556
Office of Inspector General	595	98,542	29,335	-	127,877	573	98,920	28,292	-	127,212	573	99,501	28,499	-	128,000	0	788

The Department of Housing and Urban Development (HUD) requests $1,302 million for Salaries and Expenses (S&E) accounts in fiscal year 2019 (excluding S&E for GNMA and OIG), which reflects a decrease of $43.8 million from the fiscal year 2018 Annualized Continuing Resolution (CR) levels. Overall this request includes $1,021.3 million for Personnel Services, $234.2 million for Non-Personnel Services and $46.6 million ($47.7 million including GNMA's allocation) to pay Working Capital Fund fees for shared services and other investments determined by the Secretary. The request will enable the Department to focus on its critical rolls of promoting decent, safe and affordable housing for Americans and providing access to homeownership opportunities.

Housing and Urban Development – Salaries and Expenses Overview

The fiscal year 2019 S&E budget is being requested in 8 accounts:

- Program Offices including:
    - Executive Offices, $15.6 million and 86 FTE;
    - Administrative Support Offices, $507.4 million and 1,698 FTE.
    - Public and Indian Housing, $209.5 million and 1,273 FTE;
    - Community Planning and Development, $105.9 million and 669 FTE;
    - Housing, $359.4 million and 2,339 FTE;
    - Policy Development and Research, $25.4 million and 147 FTE;
    - Fair Housing and Equal Opportunity, $71.3 million and 481 FTE;
    - Office of Lead Hazard Control and Healthy Homes, $7.5 million and 43 FTE;

Description of Need

The fiscal year 2019 S&E request of $1,302 million is approximately 3 percent of HUD's total request. The requested level reflects the President's commitment to fiscal responsibility while supporting critical functions that provide rental assistance to low-income and vulnerable households and help work-eligible families achieve self-sufficiency. The Budget also recognizes a greater role for State and local governments and the private sector to address community and economic development needs.

The Salaries and Expenses Budget

HUD's fiscal year 2019 request for S&E seeks to continue the progress we have made in increasing the efficiency and effectiveness of HUD operations, and enhancing our transparency. This request reflects the same account structure as the enacted 2017 appropriations with the following exceptions:

- The Department requests one appropriation for the Administrative Support Offices (ASO) with the flexibility to allocate funding within the nine offices, as needed, without the administrative burden of requesting approval or providing transfer notifications within ASO and subsequent reapportionments, as is now the case. This change would align the ASO funding structure to the same as what is currently in place for the Executive Offices (EO). The change allows HUD to be proactive and responsive in budget execution, applying resources where they make the most impact within the ASO and to efficiently make strategic realignments to support Administration priorities. The Department has successfully and efficiently managed this type of proposed funding structure within the EO for the last several years and believes the same would be true for the ASO.

- Within the ASO, the Office of Strategic Planning and Management has been changed to the Office of Business Transformation which better reflects its primary focus and mission.

The budget request modifies the General Provision on S&E transfers (Section 212) by increasing the authority to transfer funds between S&E accounts to the lower of 20 percent or $6,000,000 (up from the current 10 percent/$4,000,000). The budget also submits a General Provision (Section 250) which provides authority to transfer up to $10 million from S&E accounts into the Information Technology Fund.

<u>Working Capital Fund</u>

The Working Capital Fund (WCF) is a revolving fund account that is used by the Department to provide administrative services to all HUD offices. The WCF provides financial management, travel, and procurement services, human resources systems and processing, and payroll processing services. In addition, the Department's proposed Data Management Initiative will be partially funded through the WCF. The WCF operates on a reimbursable basis, with costs reimbursed to the Fund by each HUD office. Full cost recovery, which includes S&E costs for WCF employees, is anticipated to begin in 2019.

Housing and Urban Development – Salaries and Expenses Overview

FY2019	TRAVEL	TRANS OF THINGS	RENT, UTIL, COMM	PRINTING	OTHER SERVICES	TRAINING	SUPPLIES	EQUIP.	CLAIMS	TOTAL
	(Dollars in Thousands)									
EXECUTIVE OFFICES	$436	-	$27	$15	$820	$60	$61	-	-	**$1,419**
ADMINISTRATIVE SUPPORT OFFICES										
Office of the Chief Financial Officer	150	-	-	46	10,023	195	45	-	-	**10,459**
Office of the General Counsel	1,000	-	-	800	800	335	176	-	500	**3,611**
Office of Administration	1,864	354	123,636	106	42,890	238	1,316	5,833	-	**176,237**
Office of the Chief Human Capital Officer	336	-	-	-	5,627	2,268	58	76	50	**8,415**
Office of Field Policy and Management	787	-	-	-	25	40	4	-	-	**856**
Office of the Chief Procurement Officer	66	-	-	1	187	200	56	-	-	**510**
Office of Departmental Equal Employment Opportunity	15	-	-	5	290	15	2	-	-	**327**
Office of Business Transformation	1	-	-	-	10	9	2	-	-	**22**
Office of the Chief Information Officer	223	-	-	2	9,392	258	40	-	10	**9,925**
Subtotal	**4,442**	**354**	**123,636**	**960**	**69,244**	**3,558**	**1,699**	**5,909**	**560**	**210,362**
PROGRAM OFFICES										
Public and Indian Housing	3,454	20	12	50	3,144	1,479	45	30	45	**8,279**
Community Planning and Development	903	-	-	5	743	100	8	-	-	**$1,759**
Housing	4,171	-	2	15	3,208	1,364	140	-	100	**9,000**
Policy Development and Research	231	-	-	120	689	238	20	-	41	**1,339**
Fair Housing and Equal Opportunity	928	-	2	5	500	300	23	-	-	**1,758**
Office of Lead Hazard Control and Healthy Homes	170	-	-	26	4	50	8	-	-	**258**
Subtotal	**9,857**	**20**	**16**	**221**	**8,288**	**3,531**	**244**	**30**	**186**	**22,393**
TOTAL FY 2019 NON-PERSONNEL SERVICES	**$14,735**	**$374**	**$123,679**	**$1,196**	**$78,352**	**$7,149**	**$2,004**	**$5,939**	**$746**	**$234,174**
Government National Mortgage Association	-	-	-	-	-	-	-	-	-	**-**
Office of Inspector General	3,675	20	7,150	4	16,475	430	285	450	10	**28,499**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
EXECUTIVE OFFICES

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$11,188**	**$12,189**	**$13,606**
Non-Personnel Services			
Travel	151	303	436
Rent and Utilities	15	10	27
Printing	26	4	15
Other services/Contracts	645	567	820
Training	5	15	60
Supplies	60	35	61
Furniture and Equipment	1	-	-
Non-Personnel Services Subtotal	**$903**	**$934**	**$1,419**
Working Capital Fund	$783	$782	$558
Grand Total	**$12,874**	**$13,905**	**$15,583**
Associated FTE	**67**	**76**	**86**

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Executive Offices (EO) implement laws and policies and provide the overall direction and leadership for the Department. These offices are responsible for the overall development, implementation and management of the Department's programs. More specifically, they ensure the accomplishment of the Department's mission and strategic goals; address congressional relations activities; provide guidance and education on housing, community development and equal housing opportunity policies to the public and private interest groups; utilize media outreach to make sure the public is regularly informed about the Department's latest activities; conduct hearings to make determinations concerning formal complaints or opposing actions initiated by the Department; ensure the Department's compliance with small business contracting regulations; and carry out White House directives by providing outreach, convening events, and information exchange with communities.
Executive Offices include:

Executive Offices

- Office of the Secretary
- Office of the Deputy Secretary
- Office of the Congressional and Intergovernmental Relations
- Office of Public Affairs
- Office of Adjudicatory Services
- Office of Small and Disadvantaged Business Utilization
- Center for Faith-Based and Community Initiatives

The fiscal year 2019 President's Budget of $15,583K is $1,678K more than the fiscal year 2018 Annualized Continuing Resolution (CR) level. This total includes $558K for EO's allocation towards the Working Capital Fund (WCF). The EO's goals are to promote decent, safe, and affordable housing for Americans and provide access to homeownership opportunities. This budget reflects the President's commitment to fiscal responsibility while supporting critical functions that provide rental assistance to low-income and vulnerable households and help work-eligible families achieve self-sufficiency. The budget also recognizes a greater role for State and local governments and the private sector to address community and economic development needs.

Personnel Services (PS): EO requests $13,606K for personnel services to support 86 FTE. This reflects an increase of 10 FTE over fiscal year 2018 levels. This FTE increase is a result of delayed filling of vacant positions in fiscal year 2018, which resulted in lower than expected FTE level. The FTE increase will also support coordinating HUD's response to natural disasters with other disaster-related Federal Agencies.

Non-Personnel Services (NPS): EO requests $1,419K for non-personnel services, an increase of $485K above the fiscal year 2018 Annualized level primarily to support increased requirements in travel and contracts. The additional funding will support travel to disaster sites, along with increased regional and field visits by HUD leadership.

Working Capital Fund (WCF): EO requests $558K to support the Executive Offices' use of shared services and other investments as determined by the Secretary via the WCF.

2. Key Operational Initiatives

- Provide program and policy guidance and operations management and oversight in administering all programs, functions and authorities of the Department;
- Advise the President concerning housing, community development, and equal housing opportunity;
- Develop recommendations for policy in the areas of housing and community development and homelessness;
- Serve as the nerve center for all HUD activities and steer the Department's mission to create strong, sustainable, and inclusive communities and quality affordable homes for all;

Executive Offices

- Provide program and policy guidance, and operations management and oversight;
- Help the Department achieve its strategic goals by providing management and support to program offices working with human capital, financial management, procurement, and information technology;
- Coordinate Congressional and intergovernmental relations activities involving program offices to ensure the effective and accurate presentation of the Department's views;
- Collaborate with the Office of General Counsel and program offices in developing the Department's position on relevant legislative matters;
- Coordinate the presentation of the Department's legislative matters to Congress, and ensure that all testimony and responses to Congressional inquiries are consistent with the Secretary's and the Administration's views
- Educate and keep the American people informed about the Department's mission to create strong, sustainable, inclusive communities and quality affordable homes for all;
- Pursue media outreach to ensure homeowners, renters, and those living in subsidized housing hear directly from key officials about the Department's latest initiatives and goals;
- Conduct hearings and make determinations regarding formal complaints or adverse actions initiated by HUD, based upon alleged violations of Federal statutes and implementing regulations;
- Provide small business program design and outreach to the business community in its efforts to assist small and disadvantaged business in providing services to the Federal government and the American people;
- Build partnerships with faith-based and secular nonprofit organizations through grant writing training, sustained outreach, convening events, information exchange and capacity building programs.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
EXECUTIVE OFFICES
OFFICE OF THE SECRETARY

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$2,970**	**$3,299**	**$3,857**
Non-Personnel Services			
Travel	70	146	167
Rent and Utilities	1	-	-
Printing	2	1	2
Other services/Contracts	394	400	525
Training	1	10	20
Supplies	42	12	20
Furniture and Equipment	1	-	-
Non-Personnel Services Subtotal	**$511**	**$569**	**$734**
Working Capital Fund	$783	$782	$558
Grand Total	**$4,264**	**$4,650**	**$5,149**
Associated FTE	**18**	**21**	**24**

Program Purpose and Fiscal Year 2019 Budget Overview:

The Immediate Office of the Secretary (OSEC) provides program and policy guidance and operations management and oversight in administering all programs, functions and authorities of the Department. OSEC advises the President concerning housing, community development, and equal housing opportunity. OSEC also develops recommendations for policy in the areas of housing and community development and homelessness. OSEC serves as the nerve center for all HUD activities and steers the Department's mission to create strong, sustainable, and inclusive communities and quality affordable homes for all.
The fiscal year 2019 President's Budget of $5,149K is $499K more than the fiscal year 2018 Annualized CR level.

Personnel Services (PS): OSEC requests $3,857K for personnel services to support 24 FTE. This reflects an increase of 3 FTE over fiscal year 2018. The increase in FTE is due to delayed hiring of EO staff in fiscal year 2018.

Non-Personnel Services(NPS): OSEC requests $734K for non-personnel services to primarily support contracts and travel.

Working Capital Fund (WCF): OSEC requests $558K to support the Executive Offices use of shared services and other investments as determined by the Secretary via the WCF.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
EXECUTIVE OFFICES
OFFICE OF THE DEPUTY SECRETARY

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$725**	**$1,135**	**$1,608**
Non-Personnel Services			
Travel	2	35	80
Other services/Contracts	-	3	25
Training	-	-	10
Supplies	1	2	10
Non-Personnel Services Subtotal	**$3**	**$40**	**$125**
Grand Total	**$728**	**$1,175**	**$1,733**
Associated FTE	**4**	**7**	**10**

Program Purpose and Fiscal Year 2019 Budget Overview:

The Office of the Deputy Secretary (DEPSEC) provides program and policy guidance, and operations management and oversight under the direction of the Office of the Secretary. The DEPSEC helps the Department achieve its strategic goals by providing management and support to program offices working with human capital, financial management, procurement, and information technology.

The fiscal year 2019 President's Budget of $1,733K is $558K more than the fiscal year 2018 Annualized CR level.

Personnel Services (PS): DEPSEC requests $1,608K for personnel services to support 10 FTE. This reflects an increase of 3 FTE over fiscal year 2018. The increase in FTE is due to delayed hiring of EO staff in fiscal year 2018.

Non-Personnel Services (NPS): DEPSEC requests $125K for non-personnel services, including contracts and travel. The additional funding will support travel to disaster sites, along with increased regional and field visits by HUD leadership.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
EXECUTIVE OFFICES
OFFICE OF CONGRESSIONAL AND INTERGOVERNMENTAL RELATIONS

(Dollars in Thousands)

	FY 2017 Actuals	**FY 2018 Annualized CR**	**FY 2019 President's Budget**
Personnel Services	**$1,627**	**$1,842**	**$2,096**
Non-Personnel Services			
Travel	7	10	55
Printing	1	-	1
Other services/Contracts	25	14	30
Training	-	-	5
Supplies	1	1	4
Non-Personnel Services Subtotal	**$34**	**$25**	**$95**
Grand Total	**$1,661**	**$1,867**	**$2,191**
Associated FTE	**11**	**12**	**14**

Program Purpose and Fiscal Year 2019 Budget Overview:

The Office of Congressional and Intergovernmental Relations (CIR) is responsible for coordinating Congressional and intergovernmental relations activities involving program offices to ensure the effective and accurate presentation of the Department's views. The Office collaborates with the Office of General Counsel and program offices in developing the Department's position on relevant legislative matters. The Assistant Secretary for CIR is the principal advisor to the Secretary, Deputy Secretary and senior staff with respect to legislative affairs, Congressional relations, and policy matters affecting Federal, state and local governments and public and private interest groups.

The Office is responsible for coordinating the presentation of the Department's legislative matters to Congress. It monitors and responds to the HUD-related activities of the Department's Congressional oversight and authorizing committees. It is also the principal Departmental advocate before Congress regarding HUD's legislative initiatives and other legislative matters. In this regard, the Office is responsible for ensuring that all testimony and responses to Congressional inquiries are consistent with the Secretary's and the Administration's views.

The fiscal year 2019 President's budget of $2,191K is $324K more than the fiscal year 2018 Annualized CR level.

Personnel Services (PS): CIR requests $2,096K for personnel services to support 14 FTE. This reflects an increase of 2 FTE over fiscal year 2018. The increase in FTE is due to delayed hiring of EO staff in fiscal year 2018.

Non-Personnel Services (NPS): CIR requests $95K for non-personnel services, including contracts and travel. The additional funding will support travel to disaster sites, along with increased regional and field visits by HUD leadership.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
EXECUTIVE OFFICES
OFFICE OF PUBLIC AFFAIRS

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$2,991**	**$3,024**	**$3,423**
Non-Personnel Services			
Travel	31	49	59
Printing	-	1	1
Other services/Contracts	161	125	175
Training	-	-	10
Supplies	8	10	10
Non-Personnel Services Subtotal	**$200**	**$185**	**$255**
Grand Total	**$3,191**	**$3,209**	**$3,678**
Associated FTE	**17**	**19**	**21**

Program Purpose and Fiscal Year 2019 Budget Overview:

The Office of Public Affairs (OPA) strives to educate and keep the American people informed about the Department's mission to create strong, sustainable, inclusive communities and quality affordable homes for all. By pursuing media outreach, OPA works to ensure homeowners, renters, and those living in subsidized housing hear directly from key officials about the Department's latest initiatives and goals. Using communication tools such as press releases, press conferences, the Internet, media interviews, new media and community outreach, OPA provides Americans with information about housing policies and programs that are important to them.

One of the ways the Department accomplishes its goals is to provide information regarding HUD’s policies, procedures, grants, programs, and new initiatives via its primary internet web site, HUD.gov. HUD.gov acts as a clearinghouse of information and services for citizens, and serves as HUD’s major communication tool for industry and business partners. It is the Department's official public-facing website and the primary vehicle for communicating HUD's mission to the public.

Executive Offices

HUD@work impacts the entire Department, as program offices use HUD@work on a daily basis to either retrieve information or disseminate it, and it is the Department's primary vehicle for communicating with employees. It not only serves as a communication tool, but also as a launching source to HUD's internal systems, HUD@work reduces business risks to the Department. HUD@work is also the #1 way that Secretarial initiatives are communicated to HUD employees.

HUDClips is an online resource for forms, handbooks, policies, and other related information. GovDelivery, through the Office of Public Affairs, is the primary way by which the Department's electronic weekly newsletter, the Secretary's and Deputy Secretary's email messages are distributed to HUD employees.

The fiscal year 2019 President's budget of $3,678K is $469K more than the fiscal year 2018 Annualized CR level.

Personnel Services (PS): OPA requests $3,423K for personnel services to support 21 FTE. This reflects an increase of 2 FTE over fiscal year 2018. The increase in FTE is due to delayed hiring of EO staff in fiscal year 2018.

Non-Personnel Services (NPS): OPA requests $255K for non-personnel services, including contracts and travel. Increased contract funding will improve communication outlets with public entities.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
EXECUTIVES OFFICES
OFFICE OF ADJUDICATORY SERVICES

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$1,247**	**$1,349**	**$1,362**
Non-Personnel Services			
Travel	13	28	30
Printing	-	2	-
Other services/Contracts	63	25	60
Training	1	5	5
Supplies	1	5	10
Non-Personnel Services Subtotal	**$78**	**$65**	**$105**
Grand Total	**$1,325**	**$1,414**	**$1,467**
Associated FTE	**7**	**8**	**8**

Program Purpose and Fiscal Year 2019 Budget Overview:

The Office of Adjudicatory Services (OAS) is an independent judicial office within the Office of the Secretary. The Office is headed by a Chief Administrative Law Judge, appointed by the Secretary, who supervises judges and administrative support staff. The OAS Administrative Judges (AJ) and Administrative Law Judges (ALJ) conduct hearings and make determinations regarding formal complaints or adverse actions initiated by HUD, based upon alleged violations of Federal statutes and implementing regulations. OAS hearing procedures are governed by HUD regulations and are guided by the rules applicable to trials in Federal court. In each case, the judge seeks to make a fair and impartial decision based upon the law and the facts established by the evidence.

The fiscal year 2019 President's Budget of $1,467K is $53K more than the fiscal year 2018 Annualized CR level.

Personnel Services (PS): OAS requests $1,362K for personnel services to support 8 FTE, equal to the FTE level for fiscal year 2018.

Non-Personnel Services (NPS): OAS requests $105K to support non-personnel services.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
EXECUTIVE OFFICES
OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$591**	**$379**	**$383**
Non-Personnel Services			
Travel	13	20	25
Rent and Utilities	7	5	17
Printing	5	-	1
Other services/Contracts	1	-	5
Training	3	-	5
Supplies	3	-	2
Non-Personnel Services Subtotal	**$32**	**$25**	**$55**
Grand Total	**$623**	**$404**	**$438**
Associated FTE	**3**	**3**	**3**

Program Purpose and Fiscal Year 2019 Budget Overview:

The Office of Small and Disadvantaged Business Utilization (OSDBU) provides small business program design and outreach to the business community in its efforts to assist small and disadvantaged business in providing services to the Federal government and the American people. The OSDBU is responsible for ensuring that small businesses are treated fairly and that they have an opportunity to compete and be selected for a fair amount of the Agency's prime and sub-contracting opportunities. The OSDBU also serves as the Department's central referral point for small business regulatory compliance information as required by the Small Business Regulatory Enforcement Fairness Act of 1996.

The Secretary of Housing and Urban Development is committed to providing universal access to both small and large businesses. The Department recognizes that small businesses are of vital importance to job growth and the economic strength of the country successful and strong business community is an integral component of the Department's overall mission of job creation, community empowerment and economic revitalization.

Executive Offices

The fiscal year 2019 President's Budget of $438K is $34K more than the fiscal year 2018 Annualized CR level.

Personnel Services (PS): OSDBU requests $383K for personnel services to support 3 FTE, equal to the FTE level for fiscal year 2018.

Non-Personnel Services (NPS): OSDBU requests $55K to support non-personnel services.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
EXECUTIVE OFFICES
CENTER FOR FAITH-BASED AND NEIGHBORHOOD PARTNERSHIPS

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$1,037**	**$1,161**	**$877**
Non-Personnel Services			
Travel	15	15	20
Rent and Utilities	7	5	10
Printing	18	-	10
Other services/Contracts	1	-	-
Training	-	-	5
Supplies	4	5	5
Non-Personnel Services Subtotal	**$45**	**$25**	**$50**
Grand Total	**$1,082**	**$1,186**	**$927**
Associated FTE	**8**	**7**	**6**

Program Purpose and Fiscal Year 2019 Budget Overview:

With Executive Order 13498, the Office of Faith-Based and Neighborhood Partnerships was established to address the needs of communities hardest hit by the economic and housing crisis. The faith-based "centers" at 13 Federal agencies including the Center for Faith-Based and Community Initiatives (CFBI) at HUD, are tasked with building partnerships between faith-based and neighborhood organizations and the government to help meet these needs. HUD's CFBI plays a vital role in actively supporting both the White House faith-based office and HUD's overall mission and strategic objectives as it relates to providing discrimination-free affordable housing and building sustainable, inclusive Executive Offices 36-13 communities. It does so by building partnerships with faith-based and secular nonprofit organizations through grant writing training, sustained outreach, convening events, information exchange and capacity building programs. Further, the CFBI has gained a national reputation for grant writing training and capacity building expertise. CFBI facilitates intra-departmental and inter-agency cooperation to reach nonprofits with two-way information sharing, technical assistance, and training opportunities; it encourages new partnerships to more effectively reach communities where HUD and the White House office of Faith-Based and Neighborhood Partnerships seek an impact.

Executive Offices

The fiscal year 2019 President's Budget of $927K is $259K less than the fiscal year 2018 Annualized CR level.

Personnel Services (PS): CFBI requests $877K for personnel services to support 6 FTE. This reflects a decrease of 1 FTE from fiscal year 2018.

Non-Personnel Services (NPS): CFBI requests $50K to support non-personnel services.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Administrative Support Offices

The Administrative Support Offices are the backbone of HUD's operations. These offices support the Department's core mission by providing: day-to-day operational support; strategic human capital management and workforce planning; management and operation of facilities, administrative services, correspondence and records management; sound financial management and stewardship of public resources; compliant acquisition and business solutions; strategic leadership, direction, and oversight across the Department to maximize agency performance; enforcement of federal laws relating to the elimination of all forms of discrimination in employment practices; legal opinions, advice, and services with respect to all programs and activities; and modern information technology that is secure, accessible and cost effective.

- The Administrative Support Offices (ASO) budget consolidates nine offices into one single appropriation account and requests the flexibility to allocate funding within the ASO offices, as needed, without the administrative burden of requesting approval or providing transfer notifications within ASO and subsequent reapportionments, as is now the case. This change aligns the ASO funding structure to the same as is currently in place for the Executive Offices (EO). It would allow HUD to be proactive and responsive in budget execution, applying resources where they make the most impact within the ASO and to efficiently make strategic realignments to support Administration priorities. The Department has successfully and efficiently managed this type of proposed funding structure within the EO for the last several years and believes the same would be true for the ASO.

Administrative Support Offices include:

- Office of the Chief Financial Officer
- Office of the General Counsel
- Office of Administration
- Office of the Chief Human Capital Officer
- Office of Field Policy and Management
- Office of the Chief Procurement Officer
- Office of Departmental Equal Employment Opportunity
- Office of Business Transformation
- Office of the Chief Information Officer

Salaries and Expenses

(Dollars in thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$289,994**	**$291,760**	**$282,695**
Non-Personnel Services			
Travel	3,944	4,446	4,442
Transportation of Things	193	354	355
Rent, Communications, Utilities	123,393	123,148	123,823
Printing and Reproduction	819	954	1,159
Other services/Contracts	82,194	72,076	69,113
Training	1,475	3,688	3,358
Supplies	1,925	1,776	1,643
Furniture and Equipment	15,186	3,876	5,909
Claims and Indemnities	940	1,053	560
Non-Personnel Services Subtotal	**$230,069**	**$211,371**	**$210,362**
Working Capital Fund	$12,492	$11,001	$14,315
Grand Total	**$532,555**	**$514,132**	**$507,372**
Associated FTE	**1,810**	**1,772**	**1,698**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICE
OFFICE OF THE CHIEF FINANCIAL OFFICER

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	26,640	26,934	26,430
Common Distributable	7,077	7,000	7,000
Personnel Services Subtotal	**$33,717**	**$33,934**	**$33,430**
Non-Personnel Services			
Travel	142	150	150
Printing	9	46	46
Other services/Contracts	14,260	14,827	10,023
Training	14	195	195
Supplies	26	45	45
Non-Personnel Services Subtotal	**$14,451**	**$15,263**	**$10,459**
Working Capital Fund	$3,659	$3,443	$3,991
Grand Total	**$51,827**	**$52,640**	**$47,880**
Associated FTE	**175**	**169**	**164**

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Office of the Chief Financial Officer (OCFO) provides HUD-wide leadership to support HUD's mission through sound financial management in programs and operations. OCFO leads HUD in practicing financial integrity, financial responsibly, accountability, and stewardship of public resources. While advising the Secretary and HUD leadership on all aspects of financial management and budget, OCFO works to ensure that HUD meets established financial management goals and complies with pertinent legislation and directives. In addition, OCFO analyzes budgetary implication of policy and legislative proposal and oversees budget activities throughout HUD.

The fiscal year 2019 President's Budget of $47,880K is $4,760K less than the fiscal year 2018 Annualized CR level. The fiscal year 2019 President's Budget will support optimal outcomes for HUD's mission through consistent, strong financial management and internal controls across HUD; transparent, accurate, and timely financial reporting; best shared practices; and continued focus on building and sustaining HUD's core workforce in Budget, Accounting, Systems and Financial Management.

Personnel Services (PS): OCFO requests $26,430K to support an estimated 164 Full-Time Equivalents (FTE) – a decrease of $504K and 5 FTE
from the fiscal year 2018 Annualized CR level. The decrease in FTE is attributed to realigning funding for the Working Capital Fund (WCF) FTE from OCFO and allocating it across all Program Offices within the Department to support the move to full cost recovery of WCF operations in fiscal year 2019.

Common Distributable (CD): OCFO requests $7,000K, to support its Common Distributable payments for Professional Liability Insurance, Worker's Compensation and Unemployment Compensation. This request is level with fiscal year 2018 Annualized CR level.

Non-Personnel Services (NPS): OCFO requests $10,495K to support funding requirements for Travel, Printing, Contracts/Other Services, Training, and Supplies. The fiscal year 2019 request reflects a reduction of $4,804K from fiscal year 2018 Annualized CR level as a result of cost savings from OCFO's fiscal year 2018 contract consolidation and other efficiencies. Additionally, NPS funding of approximately $1,300K to support the WCF Operations was realigned from OCFO and allocated across all Program Offices within the Department to support the move to full cost recovery in fiscal year 2019.

Working Capital Fund (WCF): In 2016, OCFO established the Department's WCF as provided in the 2016 Consolidated Appropriations Act. For fiscal year 2019, OCFO requests $3,991K to pay WCF fees for shared services and other investments as directed by the Secretary.

2. Key Operational Initiatives

- Maturing the WCF Fund. The WCF is a mechanism for HUD to finance enterprise goods and services that supports more efficient operations, stronger governance, and increased transparency. In fiscal year 2019, the Department will make further towards a true WCF by incorporating full cost recovery of WCF operations. Funding for staffing and non-personnel services of the WCF Division are removed from the OCFO budget and allocated across all HUD Program Operations based on cost drivers approved by the WCF committee.

- Mitigating Risk. The position of Chief Risk Officer for the Department will realign back to OCFO and manage the Enterprise Risk Management program. Working with individual program office risk functions, OCFO will continue to work towards consolidating and streamlining requirements around Front End Risk Assessments and FAIR Act reporting.

- Improving Financial Governance and progress towards regaining our Clean Audit opinion. In fiscal year 2019 HUD will continue to strengthen its financial governance through a collaborative approach with OCFO and other Program offices. Through a multi-year integrated audit remediation approach, commonalities among HUD's material weaknesses are being evaluated for discussion and resolution to address long-standing issues holistically.

- Data Management and Reporting. The key factors driving changes in OCFO's Non-Personnel Services requirements include cross-cutting reporting requirements that support the development and maintenance of budget reporting tools that will provide user-friendly status of funds and financial analysis; compliance with DATA Act reporting requirements.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF GENERAL COUNSEL

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$88,730**	**$89,008**	**$85,635**
Non-Personnel Services			
Travel	1160	1,000	1,000
Transportation of Things	9	-	-
Printing	695	800	800
Other services/Contracts	787	800	800
Training	561	500	335
Supplies	240	217	176
Claims and Indemnities	937	875	500
Non-Personnel Services Subtotal	**$4,389**	**$4,192**	**$3,611**
Working Capital Fund	$1,585	$1,403	$2,028
Grand Total	**$94,704**	**$94,603**	**$91,274**
Associated FTE	**557**	**544**	**518**

1. Program Purpose and Fiscal Year 2019 Budget Overview

The General Counsel is the chief legal officer of the Department and is the legal advisor to the Secretary and other principal staff in the Department. The General Counsel provides legal opinions, advice, and services with respect to all programs and Departmental activities. The General Counsel defends the Department and enforces the Fair Housing Act and HUD's program requirements. The General Counsel oversees the Departmental Enforcement Center (DEC), an organization of financial and enforcement analysts who enforce the Department's program requirements and protect the Department's assets.

In addition to conventional work performed by most cabinet level offices of general counsel, HUD's Office of General Counsel (OGC) conducts high-dollar value insured loan closings for multifamily housing, nursing homes, hospitals, and elderly and disabled housing programs. In fiscal year 2017, OGC closed over 1,300 insured loans valued at over $18B. OGC also conducts a legal review of all

Rental Assistance Demonstration (RAD) transactions. In fiscal year 2017, OGC reviewed 255 RAD transactions, involving approximately over 26K units valued at almost $5B. OGC generates recovery income for the Federal Housing Administration (FHA) Fund and pursues programmatic and fair housing enforcement actions.

The fiscal year 2019 President's Budget of $91,274K is $3,329K less than the fiscal year 2018 Annualized CR level.

Personnel Services (PS): Funding of $85,635K will support 518 Full Time Equivalent (FTE), an overall decrease of 26 FTE from OGC's fiscal year 2018 Annualized CR staffing levels. OGC plans to achieve the reduction in FTE through attrition.

Non-Personnel Services (NPS): Funding of $3,611K, and overall decrease of $581K from OGC's fiscal year 2018 Annualized CR staffing levels, provides support for travel, printing, supplies, contracts, training, and claims and indemnities (attorney's fees for personnel litigation). Travel funding remains constant due to the reduced staffing levels for attorneys and the need to cover the legal work in HUD field offices where counsel is no longer physically present. Printing funding supports the Department's printing costs for Federal Register publications. NPS funding supports access to online legal research and databases, these services include Lexis/RELX, PACER, West LegalEdcenter, cyberFeds, and Congressional Quarterly.

Working Capital Fund: OGC's fiscal year 2019 request includes an allocation of $2,028K to pay Working Capital Fund (WCF) fees for shared services and other investments as determined by the Secretary.

OGC dedicates resources to specific Departmental priority goals in the following ways:

Priority 1: OGC provides legal advice to HUD's Regulatory Task Force and serves the Regulatory Reform Officer. In January and February of 2017, the President issued two executive orders directing deregulation and other regulatory reforms. OGC facilitates and drafts the deregulatory actions as identified by HUD's Task Force. Departmental deregulatory actions are published in the Federal Register using the requested $800K in Printing funding to support departmental deregulatory efforts.

Priority 2: RAD transactions are expected to increase and require a significant amount of legal review. In fiscal year 2017, counsel reviewed over 255 RAD transactions. In fiscal year 2019, OGC expects the RAD workload to continue to grow.

Priority 3: OGC continues to provide legal support for the development and implementation of the Secretary's signature initiative, the Envision Centers. The Envision Centers are based on public-private partnerships that present complex legal questions involving governmentwide ethics standards, the HUD Reform Act, questions of administrative law and contractual issues.

Priority 4: OGC leads the Department's efforts to enforce HUD program requirements and protect HUD assets. In fiscal year 2017, OGC's enforcement efforts returned over $590M to the FHA Fund and returned almost $30M to Public and Indian Housing (PIH) and

Community Planning and Development (CPD) programs and activities. OGC suspended 140 irresponsible parties from participation in federal programs and debarred 167 irresponsible parties from participation in all federal programs. OGC handled over 11K legal actions to protect the single-family inventory.

Priority 5: OGC continues to provide a full array of legal support to the Department, including defending the Department's programs against over $490M in claims; defending against $900B in tort claims against the Department; reviewing over 160 Ginnie Mae Multiclass Securities transactions valued at over $58B; issuing charges of discrimination under the Fair Housing Act; handling bid protests and procurement claims at the Civilian Board of Contract Appeals; reviewing procurements in excess of $10M; managing the Department's ethics program for 175 278-filers and 2,274 450-fliers; defending the Department in personnel and labor actions; processing regulatory waivers; drafting legislative amendments, reviewing draft interagency legislative documents; drafting Federal Register documents; reviewing and drafting sub-regulatory directives; drafting regulations; reviewing transfers of physical assets; reviewing interest rate reduction documents; representing the Department's interests in Multifamily foreclosures; and reviewing FOIA packages and handling FOIA appeals.

2. Key Operational Initiatives

In the last 10 years, OGC has reduced staffing by reducing the number of Offices of Chief Counsel in HUD field offices from 44 to 24. In fiscal year 2017, OGC closed legal operations in Hartford, CT and Columbus, OH and anticipates closing an additional Office of Chief Counsel in fiscal year 2019. These efforts have realized operational efficiencies by consolidating legal operations in OGC Offices of Regional Counsel or other Offices of Chief Counsel and facilitating the reductions in OGC staffing levels. In fiscal year 2019, OGC plans to conduct additional peer technical assistance reviews in four Offices of Chief Counsel to ensure the quality of legal services being provided to HUD clients and the quality of HUD insured loan closings.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF ADMINISTRATION

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$31,621**	**$33,580**	**$33,921**
Non-Personnel Services			
Travel	1,361	1,842	1,864
Transportation of Things	168	354	354
Rent and Utilities	123,392	123,148	123,636
Printing	62	100	106
Other services/Contracts	47,389	39,784	42,890
Training	140	238	238
Supplies	1,298	1,349	1,316
Furniture and Equipment	15,096	3,800	5,833
Claims and Indemnities	3	-	-
Non-Personnel Services Subtotal	**$188,909**	**$170,615**	**$176,237**
Working Capital Fund	$971	$903	$2,428
Grand Total	**$221,501**	**$205,098**	**$212,586**
Associated FTE	**229**	**238**	**238**

1. Program Purpose and Fiscal Year 2019 Budget Overview

The fiscal year 2019 President's Budget of $212,586K is $7,488K more than the fiscal year 2018 Annualized CR level.

The Office of Administration (OA) plays a critical role by providing a wide-range of administrative services to support HUD's mission. This includes: 1) management and operation of headquarters facilities; 2) providing administrative services to 64 field offices nationwide; 3) serving as the Executive Secretariat for HUD and managing compliance functions (e.g., Freedom of Information Act (FOIA) requests, protecting the privacy of HUD clients and employees, and records management); 4) providing communication support services (e.g., audio visual services, mail and distribution, and printing and graphic design); and 5) coordinating disaster management and national security efforts for HUD. OA seeks to maximize the value of taxpayer dollars by continuously improving planning, processes, accountability, and transparency, as well as by developing and using customer service feedback.

Personnel Services (PS): The fiscal year 2019 President's Budget provides $33,921K in PS to support an estimated 238 Full-Time Equivalents (FTE). This represents a slight increase of $341K from the fiscal year 2018 Annualized CR level.

Non-Personnel Services (NPS): The fiscal year 2019 President's Budget provides $176,237K in NPS funding, $5,622K more than the fiscal year 2018 Annualized CR level. A total of $123,636K will support rent and utilities alone. OA continues to review all contracts to achieve efficiencies by rescoping, eliminating, and consolidating functions and services wherever possible. Funds will support:

- Maintenance and extraordinary repairs for the 50-year-old Robert E. Weaver Federal Building;
- Field Operations for space and facilities management, vehicle fleet, telecommunications services and supplies;
- HUD rent, telecommunications, and utilities costs.
- Headquarters Space Consolidation - The budget provides up to $7,500K towards the Headquarters space consolidation effort. OA will use these funds to renovate approximately 30,000 square feet of the Robert E. Weaver Federal Building and purchase furniture to permit consolidation of employees and administrative law judges currently housed in the Washington Office Center in D.C. This will eliminate the annual obligation of $1,600K in rent for this satellite space.

Working Capital Fund: The fiscal year 2019 President's Budget provides $2,428K to pay working capital fund fees for shared services, and other investments determined by the Secretary.

Key Operational Initiatives

- **Modernizing Headquarters**. Just as the nature of work has changed since 1968, so has space and technology requirements for employees. The Robert E. Weaver Federal Building, which was completed in 1968 and added to the National Register of Historic Places in 2008, has outlived its lifespan and is outdated. It no longer serves its occupants the same way it once did when it was first built. One of OA's top priorities is to continue modernizing Headquarters – physically and mechanically – to accommodate staff in the National Capital Region.

- **Field Offices**. Providing administrative services to the 64 field offices, where two-thirds of HUD's personnel execute the mission, is an important function of OA. In fiscal year 2019, OA will dedicate approximately $14,700K of its non-rent and utilities budget for field support services, which are delivered through a consolidated approach and are funded centrally in OA. In fiscal year 2019, major space reductions and consolidations are planned for the Atlanta and Seattle Regional Offices. This will enable HUD to leverage savings through economies of scale and increased efficiencies.
- **Freeze the Footprint**. OA continues its effort to meet the goals outlined in OMB Memorandum M-12-12, Section 3, "Freeze the Footprint." Between 2015 and 2017, HUD has realized an actual space reduction of 73,128 square feet. HUD has identified further space reduction opportunities of 137,849 square feet in 2018 and 171,125 square feet in 2019.
- **Headquarter Restrooms**. In fiscal year 2017, OA embarked on a 2-year project to replace the existing restroom sanitary (waste) plumbing in the Robert E. Weaver Federal Building. This project will replace the current sanitary pipes with modern PVC piping. The building's 50-year-old pipes have surpassed their useful life, and this project will help prevent future pipe failure and enable future improvements in restroom fixtures and operability.
- **Customer Service**. OA continues to review and improve customer service activities, including gathering customer input early, obtaining ongoing feedback, providing more timely and accurate information, and working with customers to identify the most cost effective and efficient way to meet their needs. Plans also include assessing the customer service experience across multiple areas to improve service delivery.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF THE CHIEF HUMAN CAPITAL OFFICER

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	21,989	22,164	21,515
Common Distributable	7,182	6,900	6,900
Personnel Services Subtotal	**$29,171**	**$29,064**	**$28,415**
Non-Personnel Services			
Travel	269	336	336
Rent and Utilities	1	-	-
Printing	47	-	-
Other services/Contracts	8,322	7,065	5,627
Training	468	2,268	2,268
Supplies	200	58	58
Furniture and Equipment	89	76	76
Claims and Indemnities	-	168	50
Non-Personnel Services Subtotal	**$9,396**	**$9,971**	**$8,415**
Working Capital Fund	$1,122	$942	$1,420
Grand Total	**$39,689**	**$39,977**	**$38,250**
Associated FTE	**143**	**140**	**134**

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Office of the Chief Human Capital Officer (OCHCO) provides leadership and direction in the formulation and implementation of strategic human capital policies, programs, and systems to promote efficient and effective human capital management for the Department of Housing and Urban Development (HUD). OCHCO represents HUD on strategic human capital and human resources matters and plays a critical role in maximizing its performance and assuring accountability with the Office of Personnel Management (OPM), Office of Management and Budget (OMB), other federal agencies, Congress, and the public.

The fiscal year 2019 President's Budget of $38,250K is $1,727K less than the fiscal year 2018 Annualized CR level. This request will enable OCHCO to meet its obligation to establish and oversee policy for the Department's personnel functions, pursue its strategic responsibilities, and strengthen our delivery to Department-wide personnel services.

Personnel Services (PS): OCHCO requests $21,515K to support 134 Full-Time Equivalents (FTE). This request represents a decrease of $649K and 6 FTE from the fiscal year 2018 Annualized CR. This request will continue to support OCHCO in the areas of strategic human capital management, recruitment and staffing, departmental performance management, and enterprise-level learning. The decrease in FTEs will be achieved through attrition.

Common Distributable (CD): OCHCO requests $6,900K for CD. The CD account supports three program activities: 1) Transit Subsidy; 2) Student Loan Repayment Program; and 3) Flexible Spending. This request assumes funding at the same level as the fiscal year 2018 Annualized CR.

Non-Personnel Services (NPS): OCHCO requests $8,415K for NPS to primarily support recurring contracts and training, representing a decrease of $1,556K. The request includes funding for the Personal Assistance Services (PAS) which are required per the Equal Employment Opportunity Commission (EEOC) in a final rule that was issued on January 3, 2017.

Working Capital Fund (WCF): OCHCO requests $1,420K to support their WCF fees for shared services and other investments as directed by the Secretary.

2. Key Operational Initiatives

- Champion the evolution of learning in the Department through Learning, Enrichment, And Resource Network (LEARN) enterprise. This enterprise approach promotes the development and implementation of strategies and goals that build the capacity of the workforce through learning and development. LEARN utilizes an enterprise-wide learning and development approach, called the Employee Development Strategy (EDS); which standardizes how learning is implemented across the Department. Also, OCHCO will offer courses facilitated and delivered by certified LEARN professionals.

- The Department has identified hiring as a potential risk as our workforce ages and the demands to attract and hire continue to rise. OCHCO is addressing barriers to attracting and hiring highly-qualified talent at HUD through expansion of its Human Resources Business Partner model which provides strategic and consultative services to program offices regarding recruitment and staffing activities. Additionally, hiring process improvement initiatives to increase strategic touchpoints and integrate standardized workflows facilitated by technology began in fiscal year 2017 and will continue through fiscal year 2018 with a goal of reducing the time to hire by 10 percent. Efforts in fiscal year 2019 will build upon these initiatives with an increased focus on improving quality of applicants referred for consideration. OCHCO will continue partnering with HUD's Program Offices and its shared service provider, the Bureau of the Fiscal Service (BFS), to deliver consultative and comprehensive talent management programs and services to ensure HUD maintains an agile, high-performing workforce. With the outsourcing of transactional human resources work to BFS, OCHCO has focused on strengthening its capacity as a strategic partner to HUD's program leaders.

- OCHCO is conducting a data quality assessment and action plan to ensure data integrity to be issued in fiscal year 2018 and implemented in fiscal year 2019. This will facilitate the transition to the data-driven culture by providing reliable and consistent human capital data with strategic solutions to the customer for their Human Capital needs.

- Consistent with HUD's implementation of OMB Memo 17-22, *Comprehensive Plan for Reforming the Federal Government*, starting fiscal year 2018 OCHCO will align its resources to improve strategic planning, consultative capacity, and compliance oversight. It will incorporate strategies to increase operational efficiencies, such as integrating similar human capital functions, establishing internal pipelines for competency development and advancement, eliminating process redundancies, optimizing supervisory ratios, and strategically offering VERA/VSIP as appropriate while leveraging attrition.

- Develop talent management strategies to support workforce reshaping initiatives, and knowledge transfer via succession planning.

- Leverage human capital analytics to drive decision-making and strategic planning.

- Further develop organizational design and position management competencies within OCHCO to enhance consultation on HUD's on-going improvement projects.

- Finalize implementation and maintain personnel security case management system. The new system will enhance transparency to HR operations, provide better communication regarding case status, reduce opportunities for delay and ensure accountability.

- Conduct a Leadership Assessment of the Department's supervisory and managerial workforce.

- Create career paths for 100 percent of the HUD workforce.

- Develop and make available to the HUD workforce, customized 360° assessment tools (that we own) for competency development and career planning.

- Utilize a technology tool, Training Evaluation Measurement for Performance Optimization (TEMPO) to capture the Agency-wide training evaluation data.

- Improve employee accountability through effective performance management and related managerial training.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF THE FIELD POLICY AND MANAGEMENT

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$49,615**	**$48,674**	**$46,809**
Non-Personnel Services			
Travel	653	787	787
Transportation of Things	16	-	-
Printing	2	-	-
Other services/Contracts	49	25	25
Training	48	40	40
Supplies	4	4	4
Non-Personnel Services Subtotal	**$772**	**$856**	**$856**
Working Capital Fund	$1,285	$1,124	$1,399
Grand Total	**$51,672**	**$50,654**	**$49,064**
Associated FTE	**333**	**318**	**303**

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Office of Field Policy and Management (FPM), an essential arm of the Secretary and Deputy Secretary's Offices, executes locally driven strategies developed by community stakeholders, with resources and support from federal partners (internal and external to HUD), to produce outcomes for communities. The Office of FPM strives to meet the needs of our customers and make a positive difference in their lives. The Office of FPM provides continued support of the Secretary's vision through oversight and support of our ten regions led by the Regional Administrators and our 65 field and regional offices.

The Office of FPM historically serves three principal roles for the Secretary. First, FPM is a consistent presence, the eyes and ears interacting with communities and local stakeholders and the public's first point of contact for services and information. Secondly, FPM supports locally driven strategies developed by local officials, community stakeholders, and facilitates cross programmatic collaboration to achieve those priorities. Finally, as an adjunct of the Deputy Secretary's office, FPM is the organization of choice for the incubation, launch, nurturing and execution of Secretarial Initiatives in the field. The Office addresses program delivery issues, determines program impacts and is instrumental in providing operational feedback that influences program design and Departmental policy making. The Office of FPM executes departmental support for small business, including Section 3 opportunities for program recipients. With at least fifteen active service level agreements, memorandums of understanding and other agreements with HUD program offices and other federal agencies, the Office of FPM works with community based, nonprofit, philanthropic and faith-based organizations to maximize the impact of HUD funds in communities. As the only presence in every HUD office, FPM local and regional leadership addresses unique customer needs and provides feedback to headquarters about program successes and challenges.

In addition, the Office of FPM monitors HUD's statutory responsibility to ensure HUD-funded housing projects, insured construction projects and payments to Public Housing Authority (PHA) operations staff comply with federal labor requirements. The Office of FPM's Davis Bacon office, located in each regional office, provides training and monitors local agencies for labor standards contract compliance.

The fiscal year 2019 President's Budget of $49,064K is $1,590K less than the fiscal year 2018 Annualized CR level. Aligned with the President's objective to make government lean, accountable and more efficient.

Personnel Services (PS): The Office of FPM is requesting $46,809K to support 303 Full-Time Equivalents (FTE), a decrease of 15 FTE from fiscal year 2018 Annualized CR level. The reduction in FTE will be achieved through attrition.

Non-Personnel Services (NPS): The Office of FPM is requesting $856K in NPS which will primarily support funding for travel. The Office of FPM staff oversee and support key Departmental priorities that require travel and coordination to include EnVision Center expansion initiatives (improve access to supportive services to American families through public-private partnerships), Disaster Recovery and Relief efforts, decreasing homelessness initiatives, reducing lead hazards in housing, and empowering Section 3 (provision of the Housing and Urban Development Act of 1968 which ensures that preference for employment, training and contracting opportunities generated from the expenditure of certain HUD funds is directed to local low and very low-income persons). Support includes, but is not limited to, outreach, on-site technical assistance, convening and facilitating roundtables and trainings, ongoing capacity building and community engagement efforts. Wherever possible, FPM encourages the use of audio and video technology to reduce travel cost.

Working Capital Fund (WCF): FPM also requests $1,399K for WCF shared services expenses and other investments as determined by the Secretary.

2. Key Operational Initiatives

The Office of FPM continues to lead HUD's efforts to transform, innovate and brand an agency wide approach to our customers and clients through the Department's Unified 1-HUD Customer Relationship Management (CRM) initiative. The Office of FPM has successfully completed, tested and deployed the first phase of the Unified 1-HUD Field CRM framework for use in all local HUD field offices across the country. In addition, the agency utilized the Unified 1-HUD CRM framework in responding to disasters that occurred in Texas, Florida and Puerto Rico. In fiscal year 2017, the Office of FPM offered training to over 200 HUD employees on the CRM tool in response to the disasters that occurred in Texas, Florida and Puerto Rico. Between September 2017 and December 2017, the Department's staff reported over 6,800 interactions with renters, homeowners and other customers in the CRM tool related to disasters that occurred in Texas, Florida and Puerto Rico. As of December 2017, HUD staff resolved over 70 percent of customers' reported concerns. For fiscal year 2018, the Office of FPM will focus on CRM tool enhancements and full deployment of basic and advanced training to over 300 of FPM staff. The implementation of the CRM tool in FPM's daily operations will improve tracking and timely resolution of customer concerns across the field and improve reporting of critical customer service metrics.
The Office of FPM continues to rethink its operations and identify ways to operate more efficiently. Since September 2017, the Office of FPM has realigned several management staff working in areas with decreased workloads to fill critical voids in regional and field offices in areas with higher demands. FPM will continue to assess workload and realign resources to better meet the needs of the American public.

DEPATMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF THE CHIEF PROCUREMENT OFFICER

(Dollars in Thousands)

	FY 2017 Actuals	**FY 2018 Annualized CR**	**FY 2019 President's Budget**
Personnel Services	**$16,309**	**$16,379**	**$16,839**
Non-Personnel Services			
Travel	99	66	66
Printing	2	1	1
Other services/Contracts	392	168	187
Training	194	179	200
Supplies	93	56	56
Furniture	1	-	-
Non-Personnel ServicesSubtotal	**$781**	**$470**	**$510**
Working Capital Fund	$1,356	$1,095	$1,329
Grand Total	**$18,446**	**$17,944**	**$18,678**
Associated FTE	**112**	**110**	**112**

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Office of the Chief Procurement Officer (OCPO) provides quality, timely, innovative, and compliant acquisition and business solutions to support the creation of strong, sustainable, inclusive communities and quality, affordable homes for all. OCPO is responsible for all matters related to the Department's acquisition-related needs and activities, including managing the acquisition workforce in addition to conducting procurement activities. Procurement activities are conducted in Washington DC, Atlanta, GA; Ft Worth, TX; Denver, CO; Chicago, IL; and Philadelphia, PA in support of all HUD program offices.

The fiscal year 2019 President's Budget of $18,678K is $734K more than the fiscal year 2018 Annualized CR level. The request funds staffing and support services in OCPO and acquisition workforce training for the Agency.

Personnel Services (PS): OCPO is requesting $16,839K to support 112 Full-Time Equivalents (FTE), a slight increase of 2 FTE over fiscal year 2018 Annualized CR level.

Non-Personnel Services (NPS): The NPS request of $510K represents a slight increase over fiscal year 2018 Annualized CR with increases in training to support anticipated new staff.

Working Capital Fund: The request includes $1,329K to pay working capital fund fees for shared services.

OCPO has been transforming the business of acquisition in the Department for several years and is engaged in continual process improvement. OCPO updated our strategic plan in 2018 to ensure a targeted focus on transformational improvements. The activities in the plan work to 1) improve the efficiency, timeliness and quality of services provided; 2) improve organizational decision making; reduce duplication of contracting actions supporting multiple offices; 3) align the organizational structure within OCPO to more effectively support the Agency rather than by program office silos; and 4) eliminate unnecessary management and administrative support while rightsizing the organization to meet the Agency demands. Continuing the trend from the previous two years, OCPO was the most improved organization in HUD in the Best Places to Work index of the 2017 Federal Employee Viewpoint Survey (FEVS), improving by 15 percentage points. Focusing on workplace improvements, employee engagement, collaboration, and strong performance accountability has helped reduce turnover and improved the overall work environment.

Key Operational Initiatives

OCPO has been working for several years to increase accountability across the Department in the acquisition program. These efforts include the implementation of procurement dashboards which provide reporting on critical acquisition metrics throughout the lifecycle of a requirement.

- OCPO is in the midst of a multiyear effort to right size the organization to improve retention and reduce turnover in order to improve the quality of services provided overall. These efforts include:
  - Raising the full performance level of the mission critical occupation (MCO) of 1102 contract specialist workforce to GS-13 to attract strong talent.
  - Hiring more staff into career ladders to bring them in at lower grades (usually GS-09), train them, and retain them. This requires full funding of dedicated training resources to ensure employees receive timely quality training to move to their next level. OCPO hired a full-time acquisition trainer and converted another resource into a full time Acquisition Career Manager (ACM) for the entire acquisition workforce.
  - Flattening the organization by not hiring some supervisor positions and hiring newly created senior contract specialists who can serve as team leaders, thereby moving closer to a 10-1 supervisor to employee ratio.
  - Improving grade and position parity between field and headquarters for people performing the same work.

  - Hiring more staff in field offices to improve services being provided.
  - Requesting VERA/VSIP to assist in realigning the workforce, eliminating positions no longer needed as we move to a more technology-driven way of doing business, to permit filling new positions that are needed to get the job done, and to create a unit of full time CORs to provide better contract oversight for small program offices that don't need and can't afford a full time COR.

- OCPO has a major new acquisition program to procure Multifamily Housing Assistance Program support services, formerly known as the Performance Based Contract Administrators (PBCA). This is the newest and largest procurement program in HUD and has substantial interest and oversight from multiple venues due to legal implications and opportunities for substantial financial savings.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF DEPARTMENTAL EQUAL EMPLOYMENT OPPORTUNITY

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$2,602**	**$2,868**	**$2,953**
Non-Personnel Services			
Travel	42	40	15
Printing	1	5	5
Other services/Contracts	753	626	290
Training	26	50	15
Supplies	4	10	2
Non-Personnel Services Subtotal	**$826**	**$731**	**$327**
Working Capital Fund	$246	$205	$135
Grand Total	**$3,674**	**$3,804**	**$3,415**
Associated FTE	**18**	**19**	**19**

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Office of Departmental Equal Employment Opportunity (ODEEO) is responsible for ensuring compliance consistent with Federal regulations and statutes, including Title VII of the Civil Rights Act of 1964, the Rehabilitation Act of 1973, and the Age Discrimination in Employment Act, the Equal Pay Act, the Genetic Information Nondiscrimination Act, and the Notification and Federal Employee Anti-discrimination and Retaliation (No FEAR) Act of 2002, Executive Orders and HUD (Department) policies.
A primary objective of ODEEO is to continue to reduce formal complaints and increase responsiveness through proactively offering greater training and support to HUD staff, and increasing use of alternative dispute resolution mechanisms, thereby lowering the financial and human capital cost to HUD of the Department's Equal Employment Opportunity (EEO) issues.

Administrative Support Offices - Office of Departmental Equal Employment Opportunity

It is the responsibility of ODEEO to enforce the laws preventing discrimination and harassment of employees and applicants for employment based on race, color, sex, religion, national origin, age (40 and over), disability, protected genetic information, protected EEO activity, sexual orientation, gender identity, and, to ensure that the Department functions to recruit, hire, train, develop, promote, reward, and discipline employees are conducted in a fair and consistent manner, solely based on merit. ODEEO has nationwide responsibility for EEO Programs and neutrally administers the process by which current and former employees and applicants for employment may file an EEO complaint. ODEEO is responsible for planning, executing, and implementing the Department's EEO/Affirmative Employment (EEO/AE) Activities pursuant to the Federal Regulation at 29 C.F.R. §1614 and other management directives. ODEEO works to proactively prevent discrimination and promote diversity and inclusion within the Department's workforce.

The fiscal year 2019 President's budget of $3,415K is $389K less than the fiscal year 2018 Annualized Continuing Resolution (CR) level. This funding level will support ODEEO's responsibility to provide leadership and guidance to the Department on all aspects of the federal government's equal employment opportunity program. ODEEO is responsible for encouraging resolution and processing of EEO informal and formal complaints, in accordance with applicable federal EEO laws and regulations. In addition to complaints processing, ODEEO assures Department compliance with EEO commission regulations, provides technical assistance concerning EEO complaint adjudication, monitors and is responsible for the Department's affirmative employment programs, develops and distributes educational EEO materials, conducts training, and provides guidance and assistance regarding reasonable accommodation.

Personnel Services (PS): ODEEO requests $2,953K for personnel services to support 19 Full-Time Equivalents (FTE) which is level with the fiscal year 2018 Annualized CR.

Non-Personnel Services (NPS): ODEEO requests $327K to support contracts, travel, printing, training, and supplies. This represents a reduction of $404K from the fiscal year 2018 CR level.

- Contract costs will be significantly reduced by allowing staff to perform some services that are currently contracted out. ODEEO is proposing a slight increase to staff to investigate cases in-house and eventually eliminate the need to outsource case workload and thereby reducing contract costs.
- Travel will be reduced as a cost savings measure. ODEEO will instead maximize the use of VTC capabilities.
- The request includes $135K to pay working capital fund fees for shared services and other investments determined by the Secretary.

2. Key Operational Initiatives

- Improving responsiveness for EEO complaints: While ODEEO has made great progress in improving responsiveness, this request will seek to further improve and automate tracking and enhance processing of complaints and resolutions, including capacities related to alternative dispute resolution, and reasonable accommodation.

- Formal EEO complaints have been reduced by 34 percent since 2014 because of increased emphasis on alternative dispute resolution, training, and other activities designed to proactively prevent discrimination. In addition, the processing time for investigations has been decreased by almost half. The slight increase in staffing as proposed by this budget will enable ODEEO to further reduce EEO processing times, and resolve more disputes early and at the lowest possible level.

- As a result of training programs and resources that were designed to foster a diverse and inclusive work environment at the Department, in the Federal Employee Viewpoint Survey HUD's overall score sat at 57 percent in 2014, but in 2017, engagement rose to 69 percent. This score includes IQ inclusion metric measures employees' feelings about fairness and opportunity in their organizations. IQ inclusion index scores are calculated using a subset of 20 questions from the Federal Employee Viewpoint Survey (FEVS). The metric is separated into several factors comprising the 5 Habits of Inclusion: Fair, Open, Cooperative, Supportive, Empowering. Research confirms that workplace inclusion is a contributing factor to employee engagement and organizational performance. One of the major issues facing organizations and the federal government regarding inclusion is how to properly measure it and improve an inherently intangible aspect of group interaction, which the inclusion index scores help accomplish. The Department's further improvement in this area will likely result in fewer formal EEO complaints, which will mean lower costs overall in terms of administrative fees and potential judgement awards.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF BUSINESS TRANSFORMATION

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$4,627**	**$4,213**	**$3,210**
Non-Personnel Services			
Travel	3	2	1
Other services/Contracts	14	10	10
Training	16	10	9
Supplies	1	2	2
Non-Personnel Services Subtotal	34	24	22
Working Capital Fund	$273	$232	$136
Grand Total	**$4,934**	**$4,469**	**$3,368**
Associated FTE	**32**	**28**	**21**

1. Program Purpose and Fiscal Year 2019 Budget Overview

The fiscal year 2019 President's Budget of $3,368K is $1,101K less than the fiscal year 2018 Annualized Continuing Resolution (CR) level. The Office of Business Transformation (OBT), formerly the Office of Strategic Planning and Management (OSPM), is responsible for driving organizational, programmatic and operational changes across HUD to maximize agency performance. The Office achieves its mission by facilitating the Department-wide strategic planning process with the Secretary, his senior leadership team, external stakeholders, and HUD employees. This includes the identification of strategic priorities and change initiatives, the monitoring of key performance measures against established targets, and the implementation and oversight of formula and competitive grants.

<u>Personnel Services (PS)</u>: OBT requests $3,210K to support 21 Full Time Equivalent (FTE), a reduction of 7 FTE. In fiscal year 2019, OBT will consolidate into three divisions: (1) Front Office Operations, (2) Performance and Project Management, and (3) Grants Management and Oversight. In accordance with this consolidation, five FTE will be reassigned to the Office of Policy

Development and Research. The Enterprise Risk Management function, formerly part of OSPM, will be moved to the Office of Chief Financial Officer, a reduction of one FTE. OBT will achieve further reductions through a VERA/VSIP in the Grants Management and Oversight Division.

OBT's major key workload indicators include task orders initiated against a multivendor blanket purchase agreement, number of transformation projects initiated and completed, the number of performance and outcome metrics in HUD's annual performance plan, and the timeliness of award for HUD's competitive Notices of Funding Availability.

Non-Personnel Services (NPS): OBT request $22K to support training, contracts, travel and supplies, a slight decrease from fiscal year 2018 Annualized CR level.

Working Capital Fund (WCF): OBT's request includes $136K to pay WCF fees for shared services, and other investments determined by the Secretary.

2. Key Operational Initiatives

OBT's focus in fiscal year 2019 will be to continue activities supported in fiscal year 2018 which include:
1) Tracking and reporting on HUD's new agency priority goals around rental housing, homelessness, and lead hazard reduction
2) Further implementation of the federal shared service Grant Solutions to consolidate HUD grants management systems
3) Management of a multi-vendor blanket purchase agreement for management consulting services to obtain best value and avoid duplication in contracted support

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT SERVICES
OFFICE OF THE CHIEF INFORMATION OFFICER

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$33,602**	**$34,040**	**$31,483**
Non-Personnel Services			
Travel	215	223	223
Printing	1	2	2
Other Services/Contracts	10,228	8,771	9,392
Training	8	208	258
Supplies	59	35	40
Claims and Indemnities	-	10	10
Non-Personnel Services Subtotal	**$10,511**	**$9,249**	**$9,925**
Working Capital Fund	$1,995	$1,654	$1,449
Grand Total	**$46,108**	**$44,943**	**$42,857**
Associated FTE	**211**	**207**	**190**

1. Program Purpose and Fiscal Year 2019 Budget Overview

The mission of the Office of the Chief Information Officer (OCIO) is to enable delivery of the Department of Housing and Urban Development (HUD) programs, services, and management processes by providing high-quality information technology (IT) solutions and services to its stakeholders. The OCIO is committed to modernizing IT and transforming HUD IT to become a model for other federal agencies. The OCIO is focused on the accomplishment of our programmatic goals to:

- Enhance service delivery, assess IT workforce and processes to align with HUD and OCIO mission
- Create repeatable processes that streamline and improve OCIO through performance and innovation
- Strengthen customer collaboration to deliver customer focused outcomes

The 2019 President's budget of $42,857K is $2,086K less than the fiscal year 2018 Annualized CR level. The President's Budget request will enable our ability to accomplish the programmatic goals outlined above. Key initiatives aligned to these goals are described later in this Congressional Justification (CJ).

Personnel Services (PS): OCIO requests $31,483K to support 190 Full-Time Equivalents (FTE) which reflects a decrease of 17 FTE from fiscal year 2018 Annualized CR level. OCIO plans to achieve the reduction in FTE partially through attrition. Also, in support of HUD's workforce reform efforts, OCIO will pursue Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payment Authority from the Office of Personnel Management (OPM). This will allow OCIO, who will be reorganizing and streamlining functions, to offer early outs.

Non-Personnel Services (NPS): OCIO requests $9,925K to support its NPS requirements, an increase of $676K above the fiscal year 2018 Annualized CR level. The increase is primarily for contractor support to assist in developing the strategy, and corresponding implementation plan for a "ONE HUD Systems" Strategy to consolidate systems across the Department and centrally manage IT operations across all program areas.

Working Capital Fund (WCF): OCIO requests $1,449K to support WCF fees for its use of shared services and other investments as directed by the Secretary.

Compliance with the Federal Information Technology Acquisition Reform Act (FITARA), the improvement of the HUD Cybersecurity posture and our necessity for IT innovation that drives down long-term IT costs are the founding tenets on which the 2019 President's Budget request is built. As technology and technology delivery methods evolve, the OCIO is challenged with maintaining the IT skillsets necessary to support an enhanced IT service delivery model. This requires an increase in the level of training for our workforce and the acquisition of contractor support to meet the needs of the OCIO service delivery model. The OCIO is required to manage over 200 systems and over 135 IT contracts, while providing IT services at HUD headquarters and nationwide to HUD employees and other HUD stakeholders.

2. Key Operational Initiatives

This section describes specific actions or projects that OCIO is taking to identify and implement efficiencies, initiatives, or other strategic operational improvements.

- HUD OCIO has a vision of retaining and recruiting top talent, and a commitment to train staff on leading, industry-standard, and cutting edge technology. We are in the process of developing new capabilities that will establish and maintain an enterprise approach for common functionality (such as case management, workflow management, records management, data management, and reporting/business intelligence). This also includes moving existing applications and infrastructure to, and developing new applications in, the cloud. HUD is expanding capabilities in areas such as architecture design and implementation, in-house solution engineering, and continuous integration and delivery of new products into operations. OCIO is investing in modernization, security upgrades, and leveraging the cloud and emerging technology across its programs to replace standalone capabilities within each mission area. This will gradually lower technology costs by achieving economies of scale and streamlined technology, driven by integration and consolidation of IT systems, and greater use of enterprise shared services.

- HUD OCIO has performed an independent assessment of the current state of the organization, and has identified inefficiencies that require vast improvement implementations. OCIO is working to improve upon the information found, to create a more effective future state strategy that includes a reorganization of the OCIO.

- In line with the overarching vision of the Secretary, HUD OCIO will develop the strategy, and corresponding implementation plan for a "ONE HUD Systems" Strategy to consolidate systems across the Department and centrally manage IT operations across all program areas. This initiative is in alignment with FITARA guidance and will create pathways for overall Department transformation in areas that will improve/correct overall Office of Management and Budget (OMB), Office of the Inspector General (OIG), and Federal Information Security Management Act (FISMA) compliance.

- OCIO is actively pursuing initiatives to improve FISMA/National Institute of Science and Technology (NIST) compliance. OCIO will begin to increase its participation with the U.S. Department of Homeland Security cybersecurity programs and services to improve its overall security posture. In addition, OCIO is exploring new cybersecurity Proof of Concepts to proactively understand measures and actions that need to be taken to secure the Department's digital assets and corresponding Personally Identifiable Information (PII).

- Technology Business Management (TBM) approach: OCIO is in the process of integrating TBM best practices to provide technology leaders within the organization with standards and validated best practices to communicate the value of IT investments to the program areas we serve. TBM process execution will allow OCIO to make more effective and informative decisions in a faster, more efficient, and integrated manner. This will allow OCIO to run IT like a business, enabling a framework for making decisions on trade-offs of the cost, quality, and value of the services provided to program areas.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICES SALARIES AND EXPENSES
OFFICE OF PUBLIC AND INDIAN HOUSING

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$194,736**	**$196,018**	**$191,395**
Non-Personnel Services			
Travel	3,414	4,177	3,454
Transportation of Things	3	30	20
Rent and Utilities	3	12	12
Printing	64	50	50
Other services/Contracts	3,800	3,963	3,144
Training	1,183	1,579	1,479
Supplies	46	45	45
Furniture and Equipment	76	50	30
Claims and Indemnities	41	50	45
Non-Personnel Services Subtotal	**$8,630**	**$9,956**	**$8,279**
Working Capital Fund	$9,533	$8,559	$9,799
Grand Total	**$212,899**	**$214,533**	**$209,473**
Associated FTE	**1,364**	**1,316**	**1,273**

1. Program Purpose and Fiscal Year 2019 Budget Overview

The central mission of the Office of Public and Indian Housing (PIH) is to connect nearly 3.3 million of the country's most vulnerable households to a safe, decent and affordable place to call home, while simultaneously supporting the President's priorities of rental assistance reform, right-sizing the Federal role in rental assistance, deregulation, and providing much needed flexibilities to State/Local Public Housing Authorities (PHAs).

Program Office Salaries and Expenses-Office of Public and Indian Housing

PIH currently partners with more than 3,700 PHAs and 566 Tribally Designated Housing Entities (TDHEs) to increase capacity; administer, operate, and modernize their housing inventories; effectively manage their physical assets and financial resources; and facilitate programs that provide supportive services to improve tenant outcomes and create strong, sustainable, inclusive communities and quality affordable homes for all.

In fiscal year 2019, PIH will have approximately 1,273 employees stationed in one Headquarters office, 46 field offices and 6 Native American program area offices. This workforce supports PIH's mission to deliver assistance to low-income families through three core areas:

- Public Housing (Operating and Capital subsidies)
- Tenant-Based Rental Assistance (TBRA) – Housing Choice Voucher (HCV) program
- Native American programs

The fiscal year 2019 President's Budget of $209,473K is $5,060K less than the fiscal year 2018 Annualized Continuing Resolution (CR) level.

- **Personnel Services (PS):** PIH is requesting $191,395K to support 1,273 Full-Time Equivalents (FTE). The decrease of 43 FTE from the fiscal year 2018 Annualized CR level would be achieved through attrition.

- **Non-Personnel Services (NPS):** PIH is requesting $8,279K for NPS to support travel, training and contractual services requirements, a decrease of $1,677K below the fiscal year 2018 CR level. The reduction in contractual services represents an effort to put funding toward PS and minimize the impact of attrition and allow backfilling of some critical positions. Reduction in travel represents a focus on using technology for training (webinars and on-line training); this will reduce travel and associated costs.

- **Working Capital Fund (WCF):** PIH is requesting $9,799K to support WCF fees for shared services and other investments as determined by the Secretary.

Programs funded in this request support the President's agenda to:

- Manage programs and deliver critical services more effectively.
- Devote a greater percentage of salaries and expenses to reforming rental assistance, promoting self-sufficiency, and providing much needed flexibilities to State/Local PHAs.

In fiscal year 2019 PIH will continue to meet our six priorities, which align with HUD's priorities: Engage and Invest in Our Employees; Increase Program Flexibility & Guidance Clarity; Improve Performance through Effective Partnerships & Oversight; Reposition Public Housing; Accurate & Transparent Financial Management; and Enhance Business Processes & IT Systems.

2. **Key Operational Initiatives**

- Manage programs and deliver critical services more effectively by devoting a greater percentage of salaries and expenses to reforming rental assistance, promoting self-sufficiency, and providing much needed flexibilities to State/Local PHAs.
- Streamline PIH Budget Formulation and Execution. PIH has adopted a strategic, objective-driven approach to budget formulation.
- Reduce PIH's human capital risk utilizing our Enterprise Risk Management in developing a succession plan.
- Listen to and solicit information from PHAs and TDHEs on areas where additional guidance is needed or where there are administrative impediments to delivering services.
- Improve on the timeliness of HCV and PH formula awards to PHAs.
- Develop the new web based improper payments tool. This tool, deployed by PIH, will significantly reduce administrative burden for all PHAs and equally important provide PHAs with a greatly enhanced capability to identify and remediate rent payments for those tenants under reporting their income and receiving over subsidization.
- Utilize the Loan Origination System (LOS) for the 184 program, replacing the Computerized Home Underwriting Management System, and provide added functionality once implemented.
- Bring PIC-NG into operational status in the cloud.
- Automating several manual processes in support of the paperless elimination act and increase efficiencies for delivering services more effectively.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES AND EXPENSES
OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

(Dollars in Thousands)

	FY 2017 Actuals	**FY 2018 Annualized CR**	**FY 2019 President's Budget**
Personnel Services	**$101,477**	**$102,077**	**$99,271**
Non-Personnel Services			
Travel	1,020	1,238	903
Rent and Utilities	14	-	-
Printing	30	30	5
Other services/Contracts	1,738	1,738	743
Training	197	197	100
Supplies	27	27	8
Non-Personnel Services Subtotal	**$3,026**	**$3,230**	**$1,759**
Working Capital Fund	$4,123	$3,946	$4,876
Grand Total	**$108,626**	**$109,253**	**$105,906**
Associated FTE	**725**	**695**	**669**

1. **Program Purpose and Fiscal Year 2019 Budget Overview**

The Office of Community Planning and Development (CPD) manages a wide range of community development, affordable housing, homeless, special needs, disaster recovery, and economic stimulus and mobility programs that support communities, low-income households, and others requiring assistance.

CPD's staff workload is driven by the fiduciary and oversight responsibilities with which we are charged and include among others, the following activities:

- Grant administration;
- Audit resolution;

- Risk assessment and monitoring to ensure program compliance;
- Environmental Review and Mediation; and
- Providing technical assistance and customer support.

To oversee compliance and program performance, CPD uses the "cross-program" place-based specialist approach. Staff are assigned responsibility for overseeing a range of programs – both formula and competitive – in designated geographical areas. Grantees are issued a single point of contact, which enables CPD to manage the broad mix of projects found in a typical grantee portfolio.

Under the "cross-program" place-based specialist approach, individual CPD field staff perform grant administration, risk assessment and monitoring, audit resolution, planning review and approval, and technical assistance. The most significant workload drivers and the most important factors when determining salary and expense (S&E) needs, are the numbers of active grants (and projects) in CPD's portfolio, and the ongoing oversight responsibility for tens of billions of dollars of completed projects. CPD staff work to prevent or eliminate instances of waste, fraud and abuse, and the request assumes efficiencies in program administration across HUD to support this work within requested funding levels.

The fiscal year 2019 President's Budget of $105,906K is $3,347K less than the fiscal year 2018 Annualized Continuing Resolution (CR) level.

Personnel Services (PS): CPD is requesting $99,271K to support 669 Full-Time Equivalents (FTE), a decrease of 26 FTE as compared to the fiscal year 2018 annualized CR level. Community Planning and Development (CPD) FTE will support core areas relating to Grants Management, Special Needs Assistance Programs, Field Management, as well as, HUD-wide priorities. Beyond CPD's core grant workload, the FTE will be needed to do the following:

- Manage supplemental grants and appropriations relating to disasters including the National Disaster Resilience Competition Grants;
- Train and provide customer support to grantees on important HUD initiatives; and
- Manage the cross-cutting program functions of Environment, Relocation, and Technical Assistance for the Department.

With the proposed elimination of the United States Interagency Council on Homelessness (USICH), CPD will absorb certain key functions of USICH, such as interagency coordination efforts aimed to end homelessness. CPD also has significant on-going core workload responsibilities relating to grant administration. Its most significant workload drivers are the numbers of grants (and projects) in CPD's portfolio.

<u>Non-Personnel Services (NPS)</u>: CPD is requesting $1,759K to support their NPS expenses. To preserve the maximum personnel services levels possible, CPD is reducing costs in travel, contracts, and training.

<u>Working Capital Fund (WCF)</u>: CPD requests $4,876K for WCF fees to support its use of shared services and other investments determined by the Secretary.

2. Key Factors Driving CPD's Workforce:

<u>Reducing Homelessness:</u> CPD is leading the efforts of reducing homelessness nationwide by providing a variety of service and housing interventions, including homelessness prevention, emergency shelter, rapid re-housing, transitional housing, and permanent supportive housing.

<u>Housing Opportunities for Persons With AIDS:</u> CPD is also leading the efforts to provide permanent supportive housing, transitional/short-term housing, and supportive services and case management to persons with AIDs.

<u>Monitoring:</u> CPD currently monitors 13 percent of its grantees in its portfolio each year. CPD will leverage its fiscal year 2019 FTE resources for grant compliance by providing technical assistance and training to grantees as well as looking at opportunities to streamline the monitoring process and utilize remote monitoring and technology.

<u>Audits:</u> CPD has a significant backlog of open audit recommendations that CPD will dedicate staff to continue the progress achieved in fiscal year 2018 to further reduce this backlog.

<u>Technical Assistance (TA):</u> CPD administers the TA cooperative agreements for the Department.

Within the Office for the Deputy Assistant Secretary for Grant Programs, no new funding was requested in the fiscal year 2019 President's request to support Community Development Block Grants (CDBG), Community Development Loan Guarantee (Section 108), and the Homeownership Investment Partnerships Programs (HOME). Nevertheless, significant workload remains that requires dedicated on-going FTE resources. For example:

- Fiscal Year 2017 Community Development Block Grants (CDBG) funding will require oversight and monitoring and will not be fully expended until 2024;

- Community Development Loan Guarantees (Section 108) could extend up to twenty years into the future and existing loan guarantee commitments could extend up to twenty-five years into the future. CPD must continue to ensure timely repayment of these loans on a quarterly basis as well as continue to provide regulatory and programmatic oversight;

- Fiscal year 2017 HOME Investment Partnerships (HOME) funding will not expire until 2026 and units must be monitored for affordability and physical condition for 20 years;

- Supplemental disaster appropriations (CDBG-DR) will continue to outlay beyond 2019 (for example, appropriations for Hurricane Sandy have until 2023 to be expended); and

- As a consequence of no new program funding, grantees will not receive program administrative funds to support their current staff, resulting in decreased capacity of CPD's grantees. Consequently, CPD employees will see their workload increase to fill the gap as grantee capacity decreases.

3. Key Operational Initiatives:

CPD is currently revisiting our processes relating to risk analysis and on-site monitoring to achieve additional efficiencies. We are also exploring the use of technology to increase our capability to conduct remote monitoring.

CPD and the Office of Strategic Planning and Management (OSPM) have assessed Grant Solutions – the shared service grants management platform operated by the Department of Health and Human Services – as a potential replacement for *e-snaps*. Grant Solutions provides approximately a 50 percent fit for the Continuum of Care (CoC) requirements. If approved for implementation, it is estimated this will take 2-3 years to complete and would streamline processes and increase efficiency.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES AND EXPENSES
OFFICE OF HOUSING

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$348,817**	**$343,786**	**$337,528**
Non-Personnel Services			
Travel	3,837	6,172	4,171
Rent and Utilities	2	2	2
Printing	11	15	15
Other services/Contracts	4,655	28,101	3,208
Training	1,376	1,364	1,364
Supplies	130	140	140
Claims and Indemnities	66	100	100
Non-Personnel Services Subtotal	**$10,077**	**$35,894**	**$9,000**
Working Capital Fund	$10,642	$9,658	$12,920
Grand Total	**$369,536**	**$389,338**	**$359,448**
Associated FTE	**2,533**	**2,406**	**2,339**

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Office of Housing facilitates the Department of Housing and Urban Development (HUD) efforts to provide vital public services through its nationally administered programs. It oversees the Federal Housing Administration (FHA), the largest mortgage insurer in the world, and regulates housing industry business. The Office of Housing, through its insurance programs, plays a countercyclical role in the market, as evidenced by the last housing crisis, and operates as a Partner in Opportunity with its stakeholders.

Program Office Salaries and Expenses – Office of Housing

The missions of the Office of Housing are to:

- Contribute to building and preserving healthy neighborhoods and communities;
- Maintain and expand homeownership, rental housing and healthcare opportunities;
- Stabilize credit markets in times of economic disruption;
- Operate with a high degree of public and fiscal accountability; and
- Recognize and value its customers, staff, constituents and partners.

In addition to Executive Direction and supporting offices that work on finance, budget and operations, there are five program offices within the Office of Housing. These consist of the Office of Multifamily Housing Programs, the Office of Healthcare Programs, the Office of Risk Management and Regulatory Affairs, the Office of Single Family Housing Programs and the Office of Housing Counseling. The request reflects the current structure for Housing.

Office of Multifamily Housing Programs: HUD's Office of Multifamily Housing's programs serve the nation's renters with a focus on underserved communities and market segments. The Office of Multifamily Housing Programs provides mortgage insurance and administers the Section 202, Section 811, Section 8 Project-Based Rental Assistance, and Rental Assistance Demonstration (RAD) programs, among others.

Office of Healthcare Programs: HUD's Healthcare programs provide mortgage insurance on loans that finance the construction, renovation, acquisition, or refinancing of healthcare facilities such as hospitals and residential care facilities. Healthcare Asset Management includes all activities associated with monitoring, loan servicing, claim prevention and (if a claim occurs) asset recovery in the insured hospital and residential care facility loan portfolio. Healthcare Production and Processing activities are associated with pre-application and full review of applications for mortgage insurance for hospitals and residential care facilities.

Office of Risk Management and Regulatory Affairs: The major objectives of the Office of Risk Management and Regulatory Affairs are to conduct analysis and recommend actions to reduce exposure to FHA insurance funds while meeting FHA's housing mission, ensure that FHA operates in compliance with statutory capital requirements, and promote a well-controlled operational infrastructure. The scope of the risk management staff encompasses Program Area (Single Family, Multifamily and Healthcare) activities conducted at headquarters and the field offices. The office also administers the Manufactured Housing Program, which the Department proposes to fund exclusively from fees for Program operations.

Office of Single Family Housing Programs: HUD's Single-Family programs include mortgage insurance on loans to purchase new or existing homes, condominiums, manufactured housing, houses needing rehabilitation, and reverse mortgages under the Home Equity Conversion Mortgage (HECM) program. Single Family Housing monitors credit risk and various operational risks to 1) ensure the Mutual Mortgage Insurance Fund maintains its statutorily mandated capital reserve ratio and 2) to ensure FHA supports sustainable homeownership. To mitigate risks, Single Family Housing is focused on improving credit risk management, operational efficiency, enhancing loan level quality assurance, and improving Real Estate Owned (REO) recoveries through a variety of actions, including:

- Comprehensive management of FHA's credit risk by continual monitoring of risk factors that could impact the MMI Fund.
- Maximizing Single Family FHA recovery rates for foreclosed properties by implementing alternative asset disposition options and continual monitoring of asset manager contractor performance.
- Continuing loss mitigation efforts to prevent foreclosures.
- Replacing or significantly enhancing antiquated systems with improved information technology, to meet industry standards and reduce operational vulnerability.
- Evaluating policy regarding servicing and issuing appropriate Mortgagee Letters on any revisions necessary to revise FHA guidance.
- Reviewing quality assurance framework to provide clarity and transparency in FHA's policies for mortgagees.

Office of Housing Counseling: HUD's Housing Counseling program provide counseling through intermediaries to consumers on seeking, financing, maintaining, renting, or owning a home. HUD's Housing Counseling program provides support to a nationwide network of Housing Counseling Agencies (HCAs) and counselors. HCA's are trained and approved to provide tools to current and prospective homeowners and renters so that they can make responsible choices to address their housing needs considering their financial situations.

Office of Finance and Budget: The Office of Finance and Budget provides critical financial and budgetary oversight for the Office of Housing. The office is responsible for all Housing-FHA accounting records, the preparation of the annual audit and Housing's budget formulation and execution activities, timely and accurate financial management reports prepared in conformity with generally accepted accounting principles, the sale and disposition of FHA mortgage notes, and managing Housing's IT investment portfolio. The office serves in an advisory role on all issues involving financial management, budgetary and accounting policy.

The office serves as the principal advisor to the FHA Commissioner on fiscal and budgetary matters and has primary leadership responsibilities for the financial integrity of the Office of Housing-FHA programs. Finance and Budget staff are responsible for the integrity of transactional data and internal controls within Housing programs. In collaboration with the Office of the Chief Financial Officer, this office works closely with Congressional Appropriation Committees on Housing's budgetary matters and assists the program offices with reviewing and interpreting program legislation language and policies for human capital and other resource needs.

Office of Operations: The Office of Housing Operations provides resources and services that are essential for Housing's program offices relating to: Human Resources (includes personnel, Employee Labor Relations, workforce plans, and training), Procurement, Strategic management, business process re-engineering and Web Administration, correspondence, Continuity of Operations Plan (COOP), and Environmental support.

Executive Direction: The Office of Assistant Secretary for Housing-Federal Housing Commissioner establishes and administers policy and manages operations for the Federal Housing Administration's Single Family, Multifamily and Healthcare insurance portfolios, as well as other programs that support safe and affordable rental housing. It also oversees core offices that provide risk management, finance and budget activities, operations, housing counseling, and regulation of the construction of manufactured homes.

The fiscal year 2019 President's Budget of $359,448K is $29,890K less than the fiscal year 2018 Annualized CR level.

Personnel Services (PS): The Office of Housing requests $337,528K to support 2,339 Full-Time Equivalents (FTE). This request represents a decrease of $6,258K and 67 FTE from fiscal year 2018 CR level. The reduction in FTE will be achieved through attrition.

Non-Personnel Services (NPS): The Office of Housing is requesting $9,000K for NPS and primarily supports travel, contracts, and training.

Working Capital Fund (WCF): The Office of Housing requests $12,920K to support WCF fees for its use of shared services and other investments as directed by the Secretary.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICES SALARIES AND EXPENSES
OFFICE OF POLICY DEVELOPMENT AND RESEARCH

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$21,097**	**$21,380**	**$22,755**
Non-Personnel Services			
Travel	228	244	231
Printing	118	120	120
Other services/Contracts	651	748	689
Training	281	210	238
Supplies	11	20	20
Furniture and Equipment	23	-	-
Claims and Indemnities	41	41	41
Non-Personnel Services Subtotal	**$1,353**	**$1,383**	**$1,339**
Working Capital Fund	$1,183	$1,074	$1,272
Grand Total	**$23,633**	**$23,837**	**$25,366**
Associated FTE	**142**	**139**	**147**

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Office of Policy Development and Research (PD&R) supports the Department of Housing and Urban Development's (HUD's) efforts to help create cohesive, economically healthy communities. PD&R is responsible for maintaining current information on housing needs, market conditions, and existing programs, as well as conducting research on priority housing and community development issues. PD&R's research, surveys and policy analyses inform all aspects of HUD programs, providing a comprehensive and historical understanding of past program performance as well as objective data for policymakers and stakeholders to make informed decisions. PD&R provides economic information, research, and analyses and policy recommendations to the Secretary, Deputy Secretary, Assistant Secretaries, and principal staff.

In addition to the Office of the Assistant Secretary and supporting divisions of budget/procurement planning and administration, there are four[1] program offices within PD&R. There is extensive cross collaboration between these four offices:

- The Office of Economic Affairs (OEA) analyzes the economic impact of HUD and other federal regulatory and legislative proposals, directs the program of surveys of national housing conditions, analyzes private sector data on mortgage markets, supports Federal Housing Administration (FHA) operations, develops program operating parameters for HUD rental assistance programs and government programs, and provides data on the socioeconomic and housing market conditions of cities, counties, and states.

- The Office of Research Evaluation and Monitoring (OREM) staff designs and oversees HUD-funded research, evaluation, and monitoring efforts for a wide variety of HUD programs and activities, including critical research that shows what programs do and do not help work-able families to achieve self-sufficiency, whether changes in service delivery can prevent or delay institutionalization of tenants who are elderly or have disabilities, what homelessness prevention programs are most cost-effective, and how to economically increase the energy efficiency of public and assisted housing. Staff in OREM also conduct in-house research, programming, and geospatial analysis. The office develops and maintains administrative data spanning more than 20 years across all of HUD's programs and uses the data to provide situational awareness for immediate policy issues and to facilitate more extensive studies. Such studies often involve data linkages with survey data and administrative data from other agencies to provide in-depth knowledge on whom HUD serves and how well HUD serves them. This capability is critical for understanding the most efficient and effective path to maintain services for low-income and vulnerable households in a resource constrained environment. It also informs and supports the tracking of HUD's efforts to promote healthy and lead-safe housing.

- The Office of Policy Development (OPD) engages in policy analysis, policy development, research and data analysis, and dissemination of policy and research findings. In addition, OPD analyzes legislative proposals, develops legislative initiatives, interprets statutory guidance, prepares regulatory guidance, and coordinates HUD-wide Technical Assistance. In fiscal year 2019, the Office of International and Philanthropic Innovation (OIPI) will be realigned under OPD to create the International and Philanthropic Engagement Division (IPED).

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[1] The Office of University Partnerships (OUP) is proposed in Fiscal Year 2019 to be renamed the Grants Management and Universtiy Partnerships Division (GMUPD) reporting to the General Deputy Assistant Secretary. This division will continue to administer the Research Partnerships program and the Research Notice of Funding Availability. These efforts leverage the intellectual and financial resources of the private sector to inform the important policy and program objectives of HUD. Research Partnerships provide HUD support for funding for great research that is important to HUD's mission and is both proposed and partially funded by outside parties. The NOFA invites creativity around how to answer challenging research questions.

- In fiscal year 2019, PD&R will add the Office of Innovation. The office will focus on testing and validating solutions to state, local, and federal housing and community development problems and will be comprised of three main components:

    - The Building Technology Component will focus on the need for more resilient housing in disaster prone areas and more affordable housing nationwide by identifying, evaluating and incentivizing the adoption of resilient and affordable housing construction methods and materials.
    - The Internal Innovation Component will facilitate innovation workshops for small teams to improve the way their program or office works.
    - The Open Innovation Component will engage the expertise, methods and tools of the private sector such as open data, crowdsourcing, challenges and prizes, and entrepreneurs in residence.

The fiscal year 2019 President's Budget of $25,366K is $1,529K more than the fiscal year 2018 Annualized Continuing Resolution (CR) level.

Personnel Services (PS): PDR requests $22,755K to support 147 Full Time Equivalents (FTE), a net increase of 8 FTE from the fiscal year 2018 Annualized CR level. The request includes funding for 10 FTE associated with the new Office of Innovation.

Non-Personnel Services (NPS): PDR requests $1,339K, a slight decrease of $44K below the fiscal year 2018 Annualized CR level. The funding will support PDR's contracts, travel, training, printing, and supplies.

Working Capital Fund (WCF): The request provides $1,272K for the WCF to support its use of shared services and other investments as directed by the Secretary.

2. Key Operational Initiatives

- PD&R's staff are striving to gain efficiencies and improvements within PD&R and across the Department through the following Operational Initiatives:
    - Budget staff generating operational efficiencies in financial systems reporting capabilities for HUD-wide use.
    - PD&R's Enterprise Geospatial Information System (eGIS) staff:
        - Designed and developed the Community Assessment Reporting Tool (CART) with the Office of Field Policy and Management – a public facing web-based and mobile tool that provides mapping and tabular data of HUD's investments in communities across the United States.
        - Designed the HUD Resource Locator (HRL) - a web-based and mobile tool that eliminates duplicity and provides a single portal for the public to access information about federal housing resources within their community.

- PD&R's Economic Affairs staff:
    - Continued to utilize a very comprehensive web-based work-tracking system developed to manage the Comprehensive Housing Market Analysis Reports (COMP) for Metropolitan Statistical Areas and counties process, reducing report publication time by 50 percent.
    - Utilized centralized and standardized routine data updating processes, delegating the more routine data updating tasks to field organization; thereby freeing up valuable resources for more advanced development efforts.
    - Continued to utilize standardized and centralized geographical definitions used across all analytical tools to simplify administration, ensuring consistency, and reducing related problem resolution efforts as well as development efforts related to future geography definition changes.
    - Continued to leverage the data analytics and business intelligence software (SAS/BI) server as a centralized data resource through the addition of critical datasets, facilitating independent analyses and significantly reducing resource requirements for the fulfillment of ad-hoc requests.
    - Utilized the automated reporting of SAS/BI user activity, developed to streamline the administration of Online Integrated Information System (OPIIS) access for Housing.
    - Established an in-house training program for Field Economists resulting in a cost avoidance of $144K.

- In fiscal year 2019, the Office of International and Philanthropic Innovation (OIPI) will be realigned under OPD to create the International and Philanthropic Engagement Division (IPED). This realignment is intended to improve the transfer of ideas between the philanthropic community and other nations with the program and policy development within HUD and to our community of grantees and partners.

- In fiscal year 2019, PD&R will add the Office of Innovation. The Office of Innovation will energize the implementation and adoption of innovative best practices across the Department and operationalize research and analysis performed by the other offices of PD&R. Its mission will be to enable innovation in programs, policies and procedures; empower employees to identify and solve problems and improve efficiency; facilitate the adoption of new technology, materials and methods in housing construction; and serve as a point of entry and clearing house for innovative ideas from the private sector to improve the performance of the Department and solve housing and community development challenges. It will be modeled on the Department of Health and Human Services' Innovation, Design, Entrepreneurship, Action (IDEA) Lab (https://www.hhs.gov/idealab/); the office will devise, test and validate solutions through the three components identified in paragraph 1, above.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES AND EXPENSES
OFFICE OF FAIR HOUSING AND EQUAL OPPORTUNITY

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$66,225**	**$68,002**	**$67,304**
Non-Personnel Services			
Travel	787	928	928
Rent and Utilities	4	2	2
Printing	3	5	5
Other services/Contracts	2,025	500	500
Training	296	345	300
Supplies	24	23	23
Non-Personnel Services Subtotal	**$3,139**	**$1,803**	**$1,758**
Working Capital Fund	$1,863	$1,706	$2,250
Grand Total	**$71,227**	**$71,511**	**$71,312**
Associated FTE	**496**	**491**	**481**

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Office of Fair Housing and Equal Opportunity's (FHEO) mission is "To eliminate housing discrimination, promote economic opportunity, and achieve diverse, inclusive communities by leading the nation in the enforcement, administration, development, and public understanding of federal fair housing policies and laws." FHEO's cardinal duty, therefore, is to create equal housing and credit opportunities for all persons living in America, which it does by administering laws that prohibit housing discrimination on the basis of race, color, religion, sex, national origin, age, disability, and familial status.

FHEO is statutorily obligated to investigate, conciliate, and when appropriate, administratively enforce several Federal Civil Rights Statutes, including inter alia, Title VI of the Civil Rights Act of 1964 (Title VI); Title VIII of the Civil Rights Act of 1968, as amended in 1988 (Title VIII); and Section 504 of the Rehabilitation Act of 1973. In addition to FHEO processing well over 1,000 complaints per year, the Office also oversees 8,500 complaint investigations conducted annually by approximately 89 state and local government Fair Housing Act enforcement agencies which are funded through the Fair Housing Act Assistance Program (FHAP). FHEO also administers and oversees the Fair Housing Initiatives Program (FHIP) funding more than 100 private fair housing groups and non-profits nationally which provide direct assistance to individuals who feel they have been discriminated against while attempting to purchase or rent housing. By funding entities through FHAP and FHIP, the Department not only ensures enforcement of several Federal Statutes, but also promotes State and local control in concerns relating to their communities.

Through this budget FHEO is requesting to change the structure of the Economic Opportunity Division, to the Office of Economic Mobility. This request is based on one of HUD's major priorities of promoting economic self-sufficiency to recipients of HUD funding. The Office of Economic Mobility has the responsibility for developing long-range strategies to ensure that recipients of HUD funding fully comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), as amended (Section 3). Section 3 requires that economic opportunities generated by certain HUD financial assistance for housing and community development programs, to the greatest extent feasible, be given to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns that provide economic opportunities to low- and very low-income persons. Economic opportunities may be provided in the form of training, employment, or contracting. The Office of Economic Mobility collaborates with other HUD Offices, in particular the Offices of Community Planning and Development (CPD), Housing, and Public and Indian Housing (PIH), to ensure that the legislation is upheld.

Over the last year, FHEO has increased its technical assistance and compliance efforts to ensure that recipients of HUD funding are knowledgeable of their responsibilities to make their best efforts to hire Section 3 residents and contract out to businesses that hire low and very-low income persons. As a result, the number of Section 3 annual reports (60002 Form) submitted have increased significantly. In September 2015, HUD updated its Section 3 Performance Evaluation and Reporting System (SPEARS). At that time, HUD had only received 274 reports from 86 agencies, representing less than 1 percent of Section 3 covered recipients reporting their efforts. To date, HUD has received a total of 31,714 from 4115 agencies, representing approximately 82 percent of agencies reporting. HUD is committed to achieving 100 percent reporting from all required agencies.

FHEO continues making enhancements to its reporting system and providing direct technical assistance to ensure timely and accurate reporting of hiring activities. Over the next year, FHEO will launch online training modules for grant recipients and contractors to ensure they are knowledgeable of Section 3 requirements. Additionally, FHEO will host its first ever Section 3 National Training Conference to ensure grantees are abreast of statute and regulatory requirements, annual reporting requirements, and provide best practice modules that may be emulated to ensure successful program implementation.

FHEO is the lead enforcement Office for ensuring that the Department and recipients of HUD funding comply with the Fair Housing Act, which affects nearly every program in the Department. FHEO recognizes the greater role of State and local government in addressing community needs. FHEO is currently providing extensive technical assistance to many local governments and public housing authorities as they assess fair housing issues in their jurisdictions and develop local plans to address disparities in access to economic opportunity, healthy environments, educational access, and affordable housing; all of which increase families' opportunities to become self-sufficient.

Authorized by Congress under the fiscal year 2012 HUD Appropriations Act, the Rental Assistance Demonstration (RAD) allows public housing agencies (PHAs) and owners of other HUD-assisted properties to convert units from their original sources of HUD financing to project-based Section 8 contracts. By drawing on an established industry of lenders, owners, and stakeholders, RAD allows PHAs and owners of HUD-assisted housing to preserve and improve affordable housing units that otherwise may be lost due to disrepair and/or other factors. RAD provides greater funding certainty for potential lenders and increased operational flexibility and local decision-making for PHAs and owners to serve their communities. FHEO plays a critical role in this increasingly important Departmental priority. FHEO's civil rights reviews of RAD conversions consists of performing a range of activities throughout the conversion process; this includes site and neighborhood, PHA Plan, threshold, accessibility and relocation reviews, as well as Affirmative Fair Housing Marketing Plan (AFHMP) reviews, requirements necessary prior to any RAD deal being approved. As the RAD demonstration's success and size grows, this activity continues to represent an expanding FHEO function as well.

The fiscal year 2019 President's Budget of $71,312K is $199K less than the fiscal year 2018 Annualized CR level. This total includes $2,250 for FHEO's allocation towards the Working Capital Fund.

Personnel Services (PS): FHEO requests $67,304K and 481 Full-Time Equivalents (FTE) in fiscal year 2019, a decrease of 10 FTE from fiscal year 2018. FHEO will achieve this reduction in FTE through attrition.

Non-Personnel Services (NPS): FHEO requests $1,758K in fiscal year 2019 to primarily support travel, training and contracts.

Working Capital Fund (WCF): FHEO requests $2,250 to pay fees for use of shared services and other investments as determined by the Secretary.

FHEO Priorities:

Priority 1 – Enhance Section 3 compliance, and thus increase important economic opportunities for low- income individuals, public housing residents, and the businesses that employ them, thereby assisting work-eligible families to achieve self-sufficiency:

- By providing clear guidance to affected recipients of HUD funding, examining and determining best practices for leveraging as model recommendations for use nationwide, and develop tracking mechanism for compliance work and metrics for success.
- Development of matrix for selection of five cities representing a cross sample, to gain a better understanding of what enables successful implementation and operation of Section 3 in communities.
- Develop a turnkey program to help awardees remain Section 3 compliant.
- FHEO plans to allocate 20.0 FTE to support Section 3. FHEO will hire 15 additional FTE—5 in HUD Headquarters, including one Senior Executive Service (SES) employee, and 10 out-stationed employees (one in each of HUD's 10

Regional Offices). These staff will focus on coordinating Section 3 activities with other program offices, directly with key federal agencies and working directly with the communities. This staffing increase will allow FHEO to conduct additional monitoring, training and oversight activities that have not been performed due to the limited staffing.

Priority 2 - Provide timely and complete investigations of complaints filed under the Fair Housing Act, Title VI, Section 504 and the Americans with Disabilities Act:

- In fiscal year 2019, FHEO seeks to further reduce its aged case inventory and achieve high impact outcomes where housing discrimination has occurred.
- Over the past several years, FHEO has seen steady increases in the number of cases open over 300 days. The implementation of rigorous agency-wide performance objectives in fiscal year 2015 began a modest reversal in this trend. The Title VIII aged case inventory carried into fiscal year 2016 remained level over the previous year, while aged cases under FHEO's other civil rights authorities decreased by 30 percent during the same period.
- During fiscal year 2017, FHEO made enormous progress towards addressing the backlog of cases that have been with the Department for 600 or more days. The number of cases at or approaching 600 days old was reduced from 602 to approximately 270, roughly a 55 percent reduction in one year. This progress was the result of a series of recent innovations: nationalizing our productivity standards for frontline staff, leveraging existing technology, and cross-regional collaboration.
- While the reduction of aged cases has been an important priority, FHEO has continued to achieve impactful enforcement outcomes. Despite this agency-wide focus on reducing the backlog, FHEO has continued to enhance its ability to settle or resolve cases in a manner acceptable to all parties. In fiscal year 2017, HUD resolved more than 34 percent of all its cases through the HUD administered conciliation/settlement process. The fiscal year 2019 request would allow FHEO to more effectively reduce aged cases by expediting the completion of newly filed cases and aggressively addressing the backlog, while still achieving impactful case outcomes that deliver full and just remedy to victims of housing discrimination.

Priority 3 – Advancing fair housing and HUD programs:

- Rental Assistance Demonstration (RAD):
    - FHEO's civil rights reviews of RAD projects cover a range of activities including, as applicable to the type of conversion: (1) site and neighborhood standards; (2), transfers of assistance; (3) substantial alternations affecting accessibility; (4) changes in unit configuration; (5) changes in occupancy; and (6) Affirmative Fair Housing Marketing Plans. In November 2016, HUD published the RAD Fair Housing, Civil Rights, and Relocation Notice

(Notice H-2016-17 and PIH 2016-17) to ensure that PHAs converting inventory to a RAD structure comply with the Fair Housing Act and other civil rights statutes. RAD projects must meet the civil rights review requirements or the financing of the housing and infrastructure re-development cannot go to closing.
    - FHEO is in the process of implementing the RAD civil rights reviews nationally. Once fully implemented, field staff will be required to provide technical assistance to PHAs, and civil rights reviews of RAD conversions. Headquarters staff will conduct second level reviews of field work to ensure national consistency and accuracy. Depending on the type of review and the completeness of the information submitted for review, the staff time commitment to complete the work will range between 4 to 80 hours as applicable to the type of RAD conversion.
  - Compliance Work:
    - In order to support HUD CPD and PIH program participants in developing successful, locally-driven plans to achieve fair housing outcomes in their communities, HUD staff and technical assistance (TA) providers will conduct training nationally and provide jurisdiction-specific direct TA. These activities provide program participants with the data, resources, information, and support needed to Assist program participants in fulfilling their duty to affirmatively further fair housing. Additionally, FHEO, in 2019, will continue to work towards modifications and streamlining of the tools offered to assist program participants in fulfillment of their civil right obligations.

    - Through Consolidated Plans, Annual Action Plans, and PHA Plans, program participants will submit strategies and actions for achieving goals related to reducing governmental barriers to affordable housing and access to all communities. FHEO will continue to proactively review these plans, in coordination with other program offices, to ensure civil rights compliance.

2. Key Operational Initiatives

- FHEO has begun implementation of a robust Enterprise Risk Management (ERM) framework for managing risk, including an integrated governance structure to improve mission delivery, and to focus and align key operational initiatives, resources, staff efforts, and corrective actions toward key risks and opportunities which are most impactful in meeting Departmental goals and that of the President's Budget. Goals include creation of a SharePoint-based Consolidated Risk Register with user views for identification and update to risks, issues, strategies and action plans; organizational change management to include training materials and events; risk assessment at operational and management work-unit levels, with intent for strategic, management planning, funding, IT and performance goals for fiscal year 2019 to be reflective of FHEO's risk profile, appetite and priorities.

- FHEO Section 3 Performance Evaluation and Registry System (SPEARS):
  - The objectives of Section 3 are (1) to use HUD program funds to provide a springboard for residents to become economically empowered through direct participation in construction and other activities designed to physically

improve and revitalize their neighborhoods; and (2) to leverage HUD funds to strengthen local economies, promote self-sufficiency, and reduce dependency on federal housing subsidies. HUD utilizes the Section 3 Performance Evaluation and Registry System (SPEARS) to capture data on the number of Section 3 residents hired and number of contracts awarded to Section 3 businesses to ensure compliance with regulatory requirements.

- Another component of SPEARS is the Section 3 Business Registry. This is a tool that HUD launched in fiscal year 2014 to meet regulatory obligations to notify Section 3 businesses of the availability of local HUD-funded contracts and to increase the number of contracts awarded to Section 3 businesses. The funds requested would modify the existing Section 3 Performance Evaluation and Registration System to comply with changes to Form 60002 and the Business Registry based on the new rule.
- There are about 5,000 covered grantees, who receive funds that are subject to Section 3, and are required to submit Form 60002 to HUD. There are also about approximately 1,000 businesses who have self-certified that they meet one of the definitions of a Section 3 business. The system enhancements to SPEARS will save grantees and businesses time and effort, and will promote consistency in compliance with the revised regulatory requirements.
- Enterprise Opportunity – Fund the Document System integration requirements with IDIS and other business systems for deployment in fiscal year 2018. The estimated funding is $1 million.

- HUD Enforcement Management System (HEMS):
  - HEMS is an automated enforcement management system that tracks housing discrimination cases throughout the investigation processes, generate management reports, enables FHEO Intake Analyst, FHEO Investigators, Fair Housing Assistance Program (FHAP) agencies to assist in the production of documents for cases filed under Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Act of 1988, and other processes. HEMS also tracks complaints and compliance for the Title VI, Title IX, Age Discrimination of 1975, and American with Disabilities authorities. State and local agencies certified by HUD to investigate and adjudicate Title VIII housing discrimination complaints also use HEMS to record investigation information.
  - HEMS will consolidate several legacy systems utilizing outdated platforms. This consolidation will result in reduced infrastructure costs by removing the support for these legacy platforms and reducing the number of systems the network must support.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES and EXPENSES
OFFICE OF LEAD HAZARD CONTROL AND HEALTHY HOMES (OLHCHH)

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$6,773**	**$7,245**	**$6,715**
Non-Personnel Services			
Travel	156	170	170
Printing	91	26	26
Other services/Contracts	-	1,354	4
Training	35	50	50
Supplies	9	8	8
Non-Personnel Services Subtotal	**$291**	**$1,608**	**$258**
Working Capital Fund	$576	$436	$567
Grand Total	**$7,640**	**$9,289**	**$7,540**
Associated FTE	**45**	**47**	**43**

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Office of Lead Hazard Control and Healthy Homes (OLHCHH) has primary responsibility for the lead-based paint and healthy homes activities of HUD and is directly responsible for the administration of the Lead-Based Paint Hazard Reduction program authorized by Title X of the Housing and Community Development Act of 1992.

The mission of the OLHCHH is to provide safe and healthy homes for at-risk families and children by promoting and funding housing repairs to address conditions that threaten the health of residents. As part of this mission, the OLHCHH is involved in coordinating disparate health and housing agendas, supporting key research, targeting enforcement efforts, and providing tools to build sustainable local programs that mitigate housing-related health hazards. The OLHCHH assists states and local governments in remedying unsafe housing conditions and addressing the acute shortage of decent and safe dwellings for low-income families.

Program Office Salaries Expenses – Lead Hazard Control and Healthy Homes

The fiscal year 2019 President's Budget of $7,540K is $1,749K less than the fiscal year 2018 Annualized Continuing Resolution (CR) level. This funding level supports the Department's request for $145 million for the Lead Hazard Control and Healthy Homes Grant Programs in fiscal year 2019—a programmatic increase of $15 million over fiscal year 2018 CR levels. The budget supports critical functions that provide avenues to states and local governments to address and remedy unsafe and inadequate dwellings for low-income families.

Personnel Services (PS): The OLHCHH is requesting $6,715K and 43 Full-Time Equivalents (FTE), a decrease of 4 FTE from fiscal year 2018. This reduction will be achieved through attrition.

Non-Personnel Services (NPS): – The OLHCHH is requesting $258K to support contracts, travel, training printing and supplies.

Working Capital Fund (WCF): In fiscal year 2019, $567K will support OLHCHH's WCF shared services expenses and other investments as determined by the Secretary.

The OLHCHH specific policy goals in the 2019 President's Budget are identified below:

- Priority 1: Expansion of the Lead Hazard Control Grant Programs. This function, which covers both lead hazard control work and the work done through the healthy homes supplements, is performed by the Lead and Healthy Homes Programs Division and Grants Services Divisions. Approximately 60 percent of the NPS travel budget is for the Lead and Healthy Homes Programs Division for grantee monitoring visits.

- Priority 2: Expanded enforcement of HUD's Lead Safe Housing Rule. This function is performed by the Program and Regulatory Support Division. Approximately 10 percent of the NPS travel budget is for the Program and Regulatory Support Division's on-site monitoring visits.

- Priority 3: Technical support and outreach on the Elevated Blood Lead Level Amendment to the Lead Safe Housing Rule. This function is performed by the Program and Regulatory Support Division. Approximately 10 percent of the NPS travel budget is for the Program and Regulatory Support Division's on-site monitoring visits.

- Priority 4: National Lead Safe Housing Campaign. This function is used educate key audiences (e.g., housing ownership, maintenance and renovation industries, state and local governments, community development corporations, philanthropies, and the public), about methods and resources available to prevent lead poisoning from housing; it is performed by the immediate Office of Lead Hazard Control and Healthy Homes.

2. Key Operational Initiatives

With the deployment of a new OLHCHH grants management cloud computing system, staff and grantees alike have access to tools for planning, reporting, and evaluation. The use of cloud services for the OLHCHH grants program has reduced the use of HUD servers, increased the stability of the system, and has made it more accessible to grantees. Enhancements to the system are expected to enable improved programmatic evaluation to determine the Return on Investment for grantees' activities in terms of costs for outreach, assessment, intervention, and evaluation relative to the cost-savings associated with reduced medical costs, lost work days, and/or lost school days for an individual or household served by the programs.

INFORMATION TECHNOLOGY FUND
2019 Summary Statement and Initiatives
(Dollars in Thousands)

INFORMATION TECHNOLOGY FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$257,000	$87,023	...	$344,023	$254,749	$239,651
2018 Annualized CR	257,000	92,080	-$1,745[a]	347,335	316,563	262,778
2019 Request	260,000	34,772	...	294,772	278,872	264,928
Change from 2018	+3,000	-57,308	+1,745	-52,563	-37,691	+2,150

a\ Public Law 115-56 requires a reduction of 0.6791 percent from the fiscal year 2017 enacted budget authority.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The Information Technology (IT) Fund provides for the infrastructure, systems, and services that support all Department of Housing and Urban Development (HUD) programs, which include all of HUD's mortgage insurance liabilities, rental subsidies, formula and competitive grants. The 2019 request of $260,000,000, along with funds that will be carried over from fiscal year 2018, supports Operations and Maintenance (O&M) activities (sustaining current systems and applications), and some continuation of Development, Modernization, and Enhancement (DME) initiatives.

2. Request

HUD is pursuing strategic realignment to maximize the impact of operational resources to deliver on its mission, and smart IT investment is a critical component to finding and realizing necessary efficiencies. HUD is committed to using technology to better serve our citizens, giving them the tools and information they need to more readily access HUD services. Requested funds provide for the operation of current IT systems and applications that support HUD's business, administrative functions, and the IT infrastructure (such as computer hardware, network and communications, support services, enterprise software licenses, and cybersecurity).

The Office of the Chief Information Officer (OCIO) will continue to improve upon HUD's IT infrastructure by consolidating systems, providing enterprise capabilities, and improving the effectiveness and efficiency of programs and operations through modernization and automation. This includes a selective review of modernization investments to support public housing authorities and managing risk in the Federal Housing Administration's (FHA) mortgage liability portfolio. In accordance with Federal Information Technology Acquisition Reform Act (FITARA), the CIO continues to expand oversight and improve HUD's management of IT spending by working with offices to define program needs, re-platforming legacy systems, and scrubbing IT contracts and systems. HUD will continue to pursue development and modernization initiatives that leverage enterprise technology to support HUD's multiple mission areas promoting decent, safe, and affordable housing for Americans and providing access to homeownership opportunities. HUD will continue to capitalize on opportunities to digitize manual processes and end-user experiences with improved functionality.

3. Justification

Prior to 2017, the IT Fund had operated at a $250,000,000 level for several years. This funding supported current operations with limited upgrades and enhancements. The OCIO has thoroughly reviewed current systems contract requirements to reduce contract scope and service levels as much as possible, and has consolidated or eliminated contracts. About two-thirds of the O&M funds are used for the IT infrastructure and operations that support the entire Department. The remainder is needed for individual systems and applications that are directly used by core mission programs and by enterprise administrative areas.

At the $260,000,000 requested level, HUD will transition to and maintain an enterprise approach for common functionality (such as case management, workflow management, records management, data management, and reporting/business intelligence) and expand its cybersecurity program. The request also includes moving applications and infrastructure to the cloud. HUD is expanding its capacity in areas such as architecture design and implementation, in-house solution engineering, and continuous integration and delivery of new products into operations. In these ways, OCIO is investing in modernization, security upgrades, and leveraging the cloud and emerging technology across its programs to replace standalone capabilities within each mission area. This will gradually lower technology costs by achieving economies of scale and streamlined technology, driven by integration and consolidation of IT systems and greater use of enterprise shared services. The migration to the cloud will significantly reduce future data center costs beginning in fiscal year 2021. HUD continues to assess and streamline current operating needs to prioritize enhancements to the IT infrastructure by modernizing and consolidating the existing operating platforms of outdated legacy systems. This will reduce the security vulnerabilities of IT applications and will reduce long-term IT costs.

HUD is strengthening its cybersecurity programs to further reduce enterprise-wide vulnerabilities and risk. This includes a phased transition of the Re-Authorization of HUD's General Support Systems and Major Applications to Continuous Authorization/Ongoing Authorization to provide risk determinations and risk acceptance decisions more frequently to keep pace with mission/business requirements and organizational risk tolerance. The increase in the cybersecurity budget also reflects the Department's commitment to strengthen its identify, detect, respond, and recover capabilities with the following services:

- Penetration Testing - security testing in which assessors mimic real-world attacks to identify methods for circumventing the security features of an application, system, or network.
- Cyber Hunt - these activities are responses to crises or urgent situations within the pertinent domain to mitigate immediate and potential threats. Cyber Hunt activities start with the premise that threat actors known to target some organizations in a specific industry, or specific systems, are likely to also target other organizations in the same industry or with the same systems. OCIO is also enhancing the following areas:
  - Incident Response services help organizations impacted by a Cybersecurity compromise determine the extent of the incident, remove the adversary from their systems, and restore their networks to a more secure state.
  - Risk and Vulnerability Assessment conducts assessments of threats and vulnerabilities, determines deviations from acceptable configurations, enterprise or local policy, assesses the level of risk, and develops and/or recommends appropriate mitigation countermeasures in operational and non-operational situations.

By 2019, HUD will have completed reforming its IT infrastructure to a more agile, modern, mobile-friendly environment, utilizing a federal shared service provider. This initiative is known as the HUD Enterprise and Architecture Transformation (HEAT), and includes the transition to enterprise software agreements and FedRamp cloud solutions, implementation of GSA strategic sourcing contracts, migration of all computer hardware into two multi-tenant shared data centers and of enterprise applications to the Cloud. This will provide increased efficiencies, augmented internal monitoring and management capabilities, and optimized IT Infrastructure services.

OCIO continues to evaluate the best approaches to new developments. HUD is committed to using technology to the fullest, to better serve our citizens, retire obsolete and inefficient IT systems, and reduce the cost and complexity of its applications. OCIO's goal is to "build systems once and use them many times," reforming HUD's IT infrastructure through consolidation, utilizing enterprise capabilities, and improving the effectiveness and efficiency of programs and operations. As HUD begins to incorporate its infrastructure improvements and new capabilities into its operations, it will pursue contractual and operational adjustments to maximize efficiencies. Going forward, carryover will be maintained at minimum levels for unanticipated needs.

IT Resource Statement

In accordance with OMB Circular A-11, Section 51.3, the Department of Housing and Urban Development (HUD) provides the following statements:

(a) The Chief Information Officer (CIO) has reviewed, and had significant input in approving all IT Investments included in this budget request.

(b) The Chief Financial Officer (CFO) and CIO state that the CIO had a significant role in reviewing planned IT support for major programs and for significant increases and decreases in IT resources reflected in this budget.

(c) The FITARA common baseline rating for Element D, that the CIO reviews and approves major IT Investment portion of budget request, is at Level 3 (Fully Implemented.) HUD has developed and implemented a plan to ensure that all common baseline FITARA responsibilities are in place.

(d) The CIO certifies the use of incremental development practices for current and proposed new IT investments in all programs throughout HUD.

General Provisions

The President's Budget proposes the following General Provision for the Information Technology Fund:

Allows for the transfer of up to $10 million from Salaries and expenses to the Information Technology Fund (Sec. 250).

INFORMATION TECHNOLOGY FUND
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Operations, Maintenance, Development, Modernization and Enhancements	$257,000	$87,023	$344,023	$254,749	$255,255	$92,080	$347,335	$260,000
Total	257,000	87,023	344,023	254,749	255,255	92,080	347,335	260,000

INFORMATION TECHNOLOGY FUND
Appropriations Language

The fiscal year 2019 President's Budget includes proposed changes in the appropriation language listed below.

For the development, modernization, and enhancement of, modifications to, and infrastructure for Department-wide and program-specific information technology systems, for the continuing operation and maintenance of both Department-wide and program-specific information systems, and for program-related maintenance activities, $260,000,000, shall remain available until September 30, 2020: Provided, That any amounts transferred to this Fund under this Act shall remain available until expended: Provided further, That any amounts transferred to this Fund from amounts appropriated by previously enacted appropriations Acts may be used for the purposes specified under this Fund, in addition to any other information technology purposes for which such amounts were appropriated.

Note.—A full-year 2018 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WORKING CAPITAL FUND
2019 Summary Statement and Initiatives
(Dollars in Thousands)

Working Capital Fund	Spending Authority	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Operations Level.............	$42,019	$9,634	...	$51,653	$42,019	$42,019
2018 Annualized CR	37,936	14,911	...	52,847	39,327	39,202
2019 Request	47,688	13,755	...	61,443	47,688	47,813
Change from 2018	+9,752	-1,156	...	+8,596	+8,361	+8,611

1. Program Purpose and Fiscal Year 2019 Budget Overview

- The 2019 Working Capital Fund (WCF) anticipates a total operations level of $47.69 million, which is $9.752 million more than the 2018 annualized Continuing Resolution
- The WCF serves as a mechanism for the Department of Housing and Urban Development (HUD) to finance enterprise goods and services
- These funds are requested across HUD's salary and expense (S&E) accounts and reflected in the WCF as spending authority from offsetting collections; the Budget does not request a direct appropriation for the WCF

2. Request and Anticipated Revenue

The 2019 request provides for each HUD office to pay for its use of WCF goods and services, through payments to the WCF for its estimated share. The requested level is expected to support the activities below.

Current Activities:

- Financial management, procurement, and travel services provided by the Department of the Treasury's Administrative Resource Center (ARC)
- Human resources processing services provided by ARC
- Human resources platforms provided by the Department of the Treasury's Shared Services Programs (TSSP)
- National Finance Center (NFC) payroll processing

New Activities proposed in 2019:

- Management Data Initiative
- Working Capital Fund Operations

3. Justification

The Working Capital Fund Division (WCF-D), as a part of OCFO, oversees the financial operations of the WCF, while management and oversight responsibilities for providing the core WCF goods and services remain with the servicing business line owners. Beginning with the enactment of the Consolidated Appropriations Act of 2016, Congress established the WCF to provide a mechanism for the Department to provide enterprise level services to HUD offices in an efficient, effective, and transparent manner. Throughout 2016 and 2017, HUD worked to establish WCF governance and financial management protocols, per best government practices as outlined by the Office of Management and Budget and the Government Accountability Office. HUD successfully established WCF oversight committees, transparent WCF accounting practices, customer billing practices, and service usage reporting during this period. In 2017 the WCF began to collect reimbursement for shared services from all HUD customer organizations. In 2018, the WCF-D plans to continue to refine and streamline WCF operations and business processes including full cost recovery, while increasing institutional capacity for onboarding future business lines into the WCF.

Working Capital Fund Outcomes

- Provide efficient and effective delivery of enterprise goods and services
- Incorporate incentives for program offices to utilize WCF services efficiently by aligning costs to usage
- Reduce overlap and duplication of efforts by providing a joint platform for common administrative needs across offices
- Demonstrate transparency into the operation and management of common HUD services, and into the overall costs to administer programs

Working Capital Fund Service Costs	2017 Enacted	2018 Annualized CR	2019 HUD Request
Financial Management Services (ARC)	$24,190	$22,147	$22,147
Human Resources Services (ARC)	12,796	12,274	12,274
Human Resources Systems (TSSP)	3,791	3,363	3,363
Payroll Processing (NFC)	1,242	1,293	1,293
Management Data Initiative			6,550
Working Capital Fund Operations			2,061
Total	**$42,019**	**$39,077**	**$47,688**

Current Shared Services

The Department of the Treasury provides shared services for HUD financial management, procurement, and travel in which the OCFO is the business function lead. These shared services include a full range of accounting and procurement services such as budget and financial transaction processing, purchase and fleet card services, financial reporting, and travel and relocation services. The Department of the Treasury and the National Finance Center (NFC), with the Office of the Chief Human Capital Officer (OCHCO) acting as the servicing business lead, provide human capital services to HUD. These services include human resources transaction processing, human resources systems, and payroll processing.

New Services Requested in 2019

Data Management Initiative: The 2019 President's Budget requests funding across the Salaries and Expenses accounts to establish the management data initiative business line to drive effective management reporting critical to provide timely, accurate information necessary to support strong planning and execution of operational resources. HUD retains operational data from nine administrative offices such as financial, human capital, procurement, etc. This effort will make CXO data centrally available in a unified data-store to assist offices in creating centralized reporting tools for use in program analysis. This initiative will ensure that the data meets basic data quality standards and provide timely and accurate reporting to program offices and HUD leadership for planning and improved efficiency. The funding allotted to this service line will support the systems contracts that support the technology platform and provide data services across HUD offices.

Working Capital Fund Operations: While the WCF manages cost allocation, ordering, billing, and usage reporting for internal HUD customers of externally provided shared services, the full cost of service delivery (including WCF salaries and expenses) is not currently charged to customers. To implement full cost recovery, the 2019 Request transfers WCF Division costs from OCFO to the WCF customers across the Department. The WCF will begin collecting reimbursement for these costs in 2019. Throughout 2018, the WCF will design and implement organizational, business process, and technology changes required to achieve full cost recovery in 2019. Implementing full cost recovery in 2019 aligns with the vision that the WCF communicated to Congress and OMB for the continued development and maturity as a fund, and will:

- **Align with the Administration's priorities to realize efficiencies through business-like practices:** Converting services from a conventional administrative framework with direct funding and centralized management to a WCF changes the ways in which decisions are made, vesting more decision-making in HUD customers[1].

- **Facilitate the pricing and provision of internally-provided administrative shared services within the Department:** The WCF seeks to expand the scope of services managed through the fund to include internally-provided administrative services. Cost accounting processes and technology will allow the WCF and business line owners to determine the full costs of these services and the charges required to equitably and fully recover the costs of these services.

- **Achieve further compliance with GAO's key operating principles for working capital funds[2]:** Three of GAO's four key operating principles for WCFs require full cost recovery capabilities:

    1. Ensure Self Sufficiency by Recovering Actual Costs: Cost accounting processes and technologies determine the pricing and rates required to meet revenue goals and recover the full costs of delivery
    2. Measure Performance: Cost accounting processes and technologies determine the pricing and rates required to meet revenue goals and recover the full costs of delivery
    3. Maintain Flexibility to Obtain Customer Input and Meet Customer Needs: Demand forecasting and scenario analysis will allow the WCF to make data-driven decisions on what service to deliver and how demand impacts pricing

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[1] U.S. Department of Energy, Guidebook for Creating and Managing a Working Capital Fund Business, 2003

[2] GAO Report: Intragovernmental Revolving Funds: Commerce Departmental and Census Working Capital Funds Should Better Reflect Key Operating Principles, Nov 2011 http://www.gao.gov/assets/590/586402.pdf

APPROPRIATIONS LANGUAGE
WORKING CAPITAL FUND
(INCLUDING TRANSFER OF FUNDS)

The fiscal year 2019 President's Budget includes proposed changes in the appropriation language listed below.

For the working capital fund for the Department of Housing and Urban Development (referred to in this paragraph as the "Fund"), pursuant, in part, to section 7(f) of the Department of Housing and Urban Development Act (42 U.S.C. 3535(f)), amounts transferred, including reimbursements pursuant to section 7(f), to the Fund under this heading shall be available for Federal shared services used by offices and agencies of the Department, and for such portion of any office or agency's printing, records management, space renovation, furniture, supply services, or other shared services as the Secretary determines shall be derived from centralized sources made available by the Department to all offices and agencies and funded through the Fund: Provided, That of the amounts made available in this title for salaries and expenses under the headings "Executive Offices", "Administrative Support Offices", "Program Office Salaries and Expenses", and "Government National Mortgage Association", the Secretary shall transfer to the Fund such amounts, to remain available until expended, as are necessary to fund services specified in the matter preceding the first proviso, for which the appropriation would otherwise have been available, and may transfer not to exceed an additional $5,000,000, in aggregate, from all such appropriations, to be merged with the Fund and to remain available until expended for any purpose under this heading: Provided further, That amounts in the Fund shall be the only amounts available to each office or agency of the Department for the services, or portion of services, specified in the matter preceding the first proviso: Provided further, That with respect to the Fund, the authorities and conditions under this heading shall supplement the authorities and conditions provided under such section 7(f): Provided further, That up to $6,550,000 in the Fund may be made available for the management reporting initiative to improve the effectiveness of enterprise data governance, analysis, and reporting, including information technology investments to make such improvements: Provided further, That, to carry out the previous proviso, the Secretary shall transfer any amounts for related information technology investments to the heading "Information Technology Fund".

Note.—A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	**$98,542**	**$98,920**	**$99,501**
Non-Personnel Services			
Travel	3,726	3,568	3,675
Transportation of Things	37	20	20
Rent and Utilities	7,575	7,239	7,150
Printing	3	4	4
Other services/Contracts	16,674	16,398	16,475
Training	400	372	430
Supplies	391	264	285
Furniture and Equipment	517	422	450
Claims and Indemnities	12	5	10
Non-Personnel Services Subtotal	**$29,335**	**$28,292**	**$28,499**
Working Capital Fund	-	-	-
Grand Total	**$127,877**	**$127,212**	**$128,000**
Associated FTE	**595**	**573**	**573**

1. Program Purpose and Fiscal Year 2019 Budget Overview

The mission of the Office of Inspector General is not only to prevent and detect fraud, waste, and abuse in the programs and operations of the Department of Housing and Urban Development (HUD) but also to promote economy, efficiency and effectiveness. The OIG does this by conducting independent investigations, audits, and evaluations. The work performed by investigators, auditors, and evaluators, provides the means to keep the Secretary and the Congress fully and currently informed about the Department’s challenges while also identifying best practices. After identifying weaknesses, the OIG makes recommendations to improve operations and monitors departmental progress on corrective actions. Stewardship of taxpayer resources is one of the Inspector General’s highest priorities, ensuring funding is appropriately utilized, properly managed, and achieving the outcomes stakeholders require.

Office of Inspector General

The fiscal year 2019 President's Budget of $128,000K is $788K more than the fiscal year 2018 Annualized Continuing Resolution (CR) level. During fiscal year 2019 the OIG will be working to increase the volume and effectiveness of information security audits, and evaluations of HUD's cybersecurity posture. Ensuring the continuity and security of HUD systems is a top priority for the OIG. Investigating and preventing fraud in multi-family and Public Housing programs represent a significant caseload driver that is a top initiative for both Department and OIG leadership, the OIG will continue deploying resources and man power to combat this issue in fiscal year 2019. The OIG remains highly active producing the financial statement audits, DATA act reporting, and informing stakeholders on challenges facing multitudes of HUD programs.

The OIG will be able to support a base of 573 FTE in fiscal year 2019. This staffing level represents no change compared with fiscal year 2018 but allows for strategic backfilling to ensure mission critical staff is maintained. The 0.6 percent increase in requested resources will be vital to absorb inflationary increases in personnel benefit costs. This funding will also allow for small inflationary increases to certain non-personnel spending that is essential for OIG operations.

Ensuring HUD IT systems security and continuity of operations is a primary focus of the OIG. The information system audits and evaluations produced by the Office of Evaluation (OE) and the Office of Audit (OA) are intended to prevent a systems failure resulting in a crisis that would affect HUD stakeholders, benefit recipients, and could result in severe economic ramifications. The OIG pursues this critical objective by conducting a vast array of IT-related activities, including audits addressing the Department's response to the Federal Information System Controls Audit Manual (FISCAM), evaluations mandated by the Federal Information Security Modernization Act (FISMA) and Cybersecurity Act of 2015, and penetration testing to ensure adequate security protocols protecting the vast personally identifiable information (PII) stored on HUD networks. The oversight that the OIG conducts to confirm that HUD IT systems are protected from malicious threats is a critical responsibility considering that 87 percent of HUD's IT systems are at or near the end of their life cycles. This includes 400 IT products that no longer have technical support. The OIG is constantly looking for new and innovative ways to expose potential weaknesses so that they can be addressed and eliminated. This requires staffing with an above average knowledge base and the resources necessary to address one of HUD's biggest challenges. In fiscal year 2019 OE plans to complete four separate evaluations and OA plans to conduct four audits to address these challenges.

The Multi-Family Home Program continues to be a point of focus for OIG's Office of Investigation (OI) and a driving force of personnel and resource needs. In addition to more traditional multi-family facilities special agents have been pursuing investigations involving assisted residential facilities (nursing homes) to identify fraudulent activities related to the health and safety of the elderly and disabled. The OIG is also working with the Department to address grant fraud in HUD's array of multi-family and other housing programs. This oversight is a critical element in assisting the Department with their mission to create strong, sustainable, inclusive communities and quality affordable homes. Investigators have also increased the number of cases involving lead paint false certifications across all HUD programs. The OIG is prioritizing efforts to protect the public and HUD stakeholders against preventable exposure to toxic chemicals. Other major challenges engaging OIG investigators and auditors include Public Corruption involving HUD grant funds and management challenges related Public Housing Authorities. Working with the Department to address deficiencies in these areas are key to the OIG improving the efficacy and efficiency of HUD programs as well as identifying fraudulent activity in its infancy. Using the resources requested for fiscal year 2019 the OIG will be able position the assets necessary to collaborate with HUD in identifying and eliminating the roadblocks to institutional success.

In fiscal year 2019 the financial audit undertaken by OIG auditors will continue to grow in importance due to the expanding balance sheets of FHA and GNMA. These two organizations now represent over three trillion dollars of financial exposure to the U.S. economy. The material weaknesses exposed by the OIG's financial audit group is essential to protecting tax payers and the economy in general. The organization's audit staff is committed to delivering the accurate and informative products that Congressional and administration stakeholders have come to expect and rely on. The Office of Audit is also responsible for ensuring departmental compliance with the Digital Accountability and Transparency Act of 2014 (DATA act). Beginning in late 2016 OA has been monitoring HUD's compliance and has found numerous deficiencies in the Department's response to the DATA Act. Ensuring compliance with the DATA Act is a time and information intensive task, during fiscal year 2019 OA staff will continue to provide timely reporting on DATA Act compliance to Congressional stakeholders. In fiscal year 2018 the Office of Audit plans to conduct audits of individual housing authorities in regards to the Rental Assistance Demonstration (RAD) program. This undertaking will grow in size during fiscal year 2019 to include a department wide review of the RAD program. These audits are essential in determining the viability of this program, and identifying successes and failures to Congressional stakeholders.

2. Key Operational Initiatives

- The OIG has been evaluating the current workforce and strategically restructuring human capital to align the OIG with future requirements and initiatives. This personnel approach included using Voluntary Early Retirement Authority (VERA), and Voluntary Separation Incentive Payments (VSIP) in fiscal year 2017. Taking these actions allowed the organization to eliminate underutilized positions and restructure other positions to meet future needs. Through the use of VERA/VSIP the OIG was able to reduce FTE levels to a point that can be maintained for the foreseeable future based on expected budget conditions. Operating from a reduced FTE level, but with a talent base appropriate to the changing workload facing the organization should allow the OIG to continue executing the investigations, audits, and evaluations that stakeholders have come to expect. This type of deliberative human capital management that allows for dynamic personnel decision making and long-term planning will shape the OIG's workforce into fiscal year 2019 and beyond.

- The OIG is pursuing an array of initiatives to find efficiencies in non-personnel spending, these efforts have significantly reduced the total OIG non-personnel spending over time and will allow the organization to continue containing expenditures in fiscal year 2019. Over the last four fiscal years non-personnel obligations have been reduced by seven percent. These results are a byproduct of eliminating expenses deemed to be inadequate at delivering sufficient cost-benefit results, while investing in initiatives that have paid dividends to the organization, and establishing internal governance to oversee corporate decisions. The

Acquisition Steering Committee provides an internal check on all purchasing decisions to ensure that all obligations meet strict requirements to deliver benefits and savings to the agency. Using this approach to long term planning the OIG has undertaken projects that will reduce future outlays in substantial ways. An example of this is the current effort to bring the OIG's primary data center in-house. When this project is complete, the OIG will have a more secure data infrastructure at a fraction of historic costs. These efforts are a long-term approach to resource management. In fiscal year 2019, the OIG will continue to prioritize travel and training expenditures that keep investigators, auditors, and evaluators in the field addressing the critical workload facing the OIG while reducing obsolete or unnecessary expenditures in all forms.

	FY 2014 Actual	**FY 2015 Actual**	**FY 2016 Actual**	**FY 2017 Actual**
Non-Personnel Services Obligations	$31,528,909	$31,428,360	$28,602,680	$29,334,805

- The OIG is continually looking for new strategic tools to extend the reach of the organization while also increasing efficiency in operations. The Inspector General Empowerment Act of 2016 represents the newest resource that the OIG is working to deploy. Provisions within the law break down barriers allowing HUD-OIG to work on cross cutting issues with other Inspector Generals. The ability to rapidly share data, identify duplicate benefits, and recognize potential waste, fraud, and abuse will allow the OIG to achieve mission successes while reducing time and other material costs. By utilizing the IG Empowerment Act and working through the Council of the Inspectors General for Integrity and Efficiency (CIGIE), HUD-OIG is working to create economies of scale and cost containment in joint investigations, audits, and evaluations. Expanding the role HUD-OIG plays in these inter-governmental initiatives will continue to increase the effectiveness of HUD-OIG while also producing potential cost savings in operations.

Fiscal Year 2019 General Provisions

This document summarizes the General Provisions (GPs) in the FY 2019 Budget relative to the fiscal Year 2017 Enacted GPs.

SEC. 201. *SECTION 8 SAVINGS. —Section 1012(b) of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 (42 U.S.C. 1437f note) is amended to read as follows:*
"Fifty percent of the amounts of budget authority, or in lieu thereof 50 percent of the cash amounts associated with such budget authority, that are recaptured from projects described in section 1012(a) of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 (42 U.S.C. 1437 note) shall be cancelled or in the case of cash, shall be remitted to the Treasury, and such amounts of budget authority or cash recaptured and not cancelled or remitted to the Treasury shall be used by State housing finance agencies or local governments or local housing agencies with projects approved by the Secretary of Housing and Urban Development for which settlement occurred after January 1, 1992, in accordance with such section. Notwithstanding the previous sentence, the Secretary may award up to 15 percent of the budget authority or cash recaptured and not cancelled or remitted to the Treasury to provide project owners with incentives to refinance their project at a lower interest rate.".

Explanation of this Section: This section governs the sharing of savings that result from refunding the existing bonds for certain Section 8 contracts. Section 1012 of the McKinney Act requires HUD to split the savings evenly between Treasury and State Housing Finance Agencies. These savings typically take the form of a cash rebate from the bond trustee to the U.S. Treasury. Trustee sweeps continue for the term of the contract. HAP contracts were originally for 30 years with some 40-year contracts set to expire in 2024. The savings provided to State Housing Finance Agencies can be used for social services, for professional services essential to carry out McKinney-funded activities, project facilities or mechanical systems, and office systems.

Proposed Action: The President's Budget proposes retaining this section with a technical modification to permanently codify this long-standing general provision into law.

SEC. 202. None of the amounts made available under this Act may be used during fiscal year [2017]*2019* to investigate or prosecute under the Fair Housing Act any otherwise lawful activity engaged in by one or more persons, including the filing or maintaining of a nonfrivolous legal action, that is engaged in solely for the purpose of achieving or preventing action by a Government official or entity, or a court of competent jurisdiction.

Explanation of this Section: This section makes clear that the Department will not use its authority under the Fair Housing Act to investigate or prosecute legal activity.

Proposed Action: The President's Budget proposes retaining this provision for fiscal year 2019.

[SEC. 203. Subsection (c) of section 854 of the AIDS Housing Opportunity Act (42 U.S.C. 12903(c)) is amended—
(1) in subclause (I) of paragraph (2)(A), by redesignating the subclause as clause "(i)"; and
(2) in subparagraph (D) of paragraph (2), to read as follows:
"(D) ADJUSTMENT TO GRANTS.—For each of fiscal years 2017, 2018, 2019, 2020, and 2021, with respect to a grantee that received an allocation in the prior fiscal year, the Secretary shall ensure that the grantee's share of total formula funds available for allocation does not decrease more than 5 percent nor gain more than 10 percent of the share of the total available formula funds that the grantee received in the preceding fiscal year.".**]**

Explanation of this Section: This provision made a one-time fix to the AIDS Housing Opportunity Act.

Proposed Action: The President's Budget proposes deleting this section.

SEC. [204] ***203.*** Except as explicitly provided in law, any grant, cooperative agreement or other assistance made pursuant to title II of this Act shall be made on a competitive basis and in accordance with section 102 of the Department of Housing and Urban Development Reform Act of 1989 (42 U.S.C. 3545).

Explanation of this Section: This provision requires that HUD funds be subject to competition unless specified otherwise in statute.

Proposed Action: The President's Budget proposes retaining this section.

SEC. [205] ***204***. *GNMA AMENDMENT.—Section 7 of the Department of Housing and Urban Development Act (42 U.S.C. 3535) is amended by adding at the end the following new subsection:*
"(u) Funds of the Department of Housing and Urban Development subject to the Government Corporation Control Act or section 402 of the Housing Act of 1950 shall be available, without regard to the limitations on administrative expenses, for legal services on a contract or fee basis, and for utilizing and making payment for services and facilities of the Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Financing Bank, Federal Reserve banks or any member thereof, Federal Home Loan banks, and any insured bank within the meaning of the Federal Deposit Insurance Corporation Act, as amended (12 U.S.C. 1811–1).".

Explanation of this Section: This provision makes limitations on administrative expenses inapplicable to certain expenditures of Ginnie Mae, including legal services contracts and the expenses of carrying out its programmatic duties. This provision ensures that administrative expenses provided in annual appropriations bills do not preclude Ginnie Mae's reliance upon its permanent, indefinite appropriation, in Section 1 of the National Housing Act, for essential operating funds.

Proposed Action: The President's Budget proposes retaining this section with a technical modification to permanently codify this general provision into law.

[SEC. 206. Unless otherwise provided for in this Act or through a reprogramming of funds, no part of any appropriation for the Department of Housing and Urban Development shall be available for any program, project or activity in excess of amounts set forth in the budget estimates submitted to Congress.**]**

Explanation of this Section: This provision forbids HUD from spending more money on any program than the agency proposed in the budget estimates, unless a different amount is appropriated or provided in a reprogramming.

Proposed Action: The President's Budget proposes deleting this provision because it is redundant with the Antideficiency Act.

SEC. [207] ***205***. Corporations and agencies of the Department of Housing and Urban Development which are subject to the Government Corporation Control Act are hereby authorized to make such expenditures, within the limits of funds and borrowing authority available to each such corporation or agency and in accordance with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of such Act as may be necessary in carrying out the programs set forth in the budget for [2017]*2019* for such corporation or agency except as hereinafter provided: *Provided*, That collections of these corporations and agencies may be used for new loan or mortgage purchase commitments only to the extent expressly provided for in this Act (unless such loans are in support of other forms of assistance provided for in this or prior appropriations Acts), except that this proviso shall not apply to the mortgage insurance or guaranty operations of these corporations, or where loans or mortgage purchases are necessary to protect the financial interest of the United States Government.

Explanation of this Section: This provision is an authorization by which Congress implements its responsibilities under section 104 of the Government Corporations Control Act (31 U.S.C. 9104). After consideration of Ginnie Mae's budget program, as submitted by the President, Congress, through this section, ratifies such budget program and authorizes expenditures of funds, both provided in the appropriations act (for salaries and expenses) and by the permanent indefinite appropriation in Section 1 of the National Housing Act, necessary to carry out the programs set forth in Ginnie Mae's program budget for the coming year.

Proposed Action: The President's Budget is proposing to retain this provision.

[SEC. 208. The Secretary of Housing and Urban Development shall provide quarterly reports to the House and Senate Committees on Appropriations regarding all uncommitted, unobligated, recaptured and excess funds in each program and activity within the jurisdiction of the Department and shall submit additional, updated budget information to these Committees upon request.**]**

Explanation of this Section: This provision requires HUD to submit quarterly reports on status of funds.

Proposed Action: The President's Budget proposes to exclude this provision.

[SEC. 209. The President's formal budget request for fiscal year 2018, as well as the Department of Housing and Urban Development's congressional budget justifications to be submitted to the Committees on Appropriations of the House of Representatives and the Senate, shall use the identical account and sub-account structure provided under this Act.**]**

Explanation of this Section: This provision requires the Department to structure its budget request and congressional justifications in an identical way to the structure of the Appropriations Act.

Proposed Action: The President's Budget proposes to exclude this provision. The Administration will continue to determine the account structure of the President's Budget and congressional justifications.

[SEC. 210. No funds provided under this title may be used for an audit of the Government National Mortgage Association that makes applicable requirements under the Federal Credit Reform Act of 1990 (2 U.S.C. 661 et seq.).**]**

Explanation of this Section: This provision prohibits use of GNMA funds for certain audit activities.

Proposed Action: The President's Budget proposes excluding this provision.

SEC. [211] *206*. *TRANSFERS OF ASSISTANCE, DEBT, AND USE RESTRICTIONS. —*

(a) *AUTHORITY.—*Notwithstanding any other provision of law, subject to the conditions listed under this section, for fiscal years [2017]*2019* and [2018]*2020*, the Secretary of Housing and Urban Development may authorize the transfer of some or all project-based assistance, debt held or insured by the Secretary and statutorily required low-income and very low-income use restrictions if any, associated with one or more multifamily housing project or projects to another multifamily housing project or projects.

(b) PHASED TRANSFERS.—Transfers of project-based assistance under this section may be done in phases to accommodate the financing and other requirements related to rehabilitating or constructing the project or projects to which the assistance is transferred, to ensure that such project or projects meet the standards under subsection (c).

(c) *CONDITIONS.—*The transfer authorized in subsection (a) is subject to the following conditions:

(1) Number and bedroom size of Units.—

(A) For occupied units in the transferring project: The number of low-income and very low-income units and the configuration (i.e., bedroom size) provided by the transferring project shall be no less than when transferred to the receiving project or projects and the net dollar amount of Federal assistance provided to the transferring project shall remain the same in the receiving project or projects.

(B) For unoccupied units in the transferring project: The Secretary may authorize a reduction in the number of dwelling units in the receiving project or projects to allow for a reconfiguration of bedroom sizes to meet current market demands, as determined by the Secretary and provided there is no increase in the project-based assistance budget authority.

(2) The transferring project shall, as determined by the Secretary, be either physically obsolete or economically nonviable.

(3) The receiving project or projects shall meet or exceed applicable physical standards established by the Secretary.

(4) The owner or mortgagor of the transferring project shall notify and consult with the tenants residing in the transferring project and provide a certification of approval by all appropriate local governmental officials.

(5) The tenants of the transferring project who remain eligible for assistance to be provided by the receiving project or projects shall not be required to vacate their units in the transferring project or projects until new units in the receiving project are available for occupancy.

(6) The Secretary determines that this transfer is in the best interest of the tenants.

(7) If either the transferring project or the receiving project or projects meets the condition specified in subsection (d)(2)(A), any lien on the receiving project resulting from additional financing obtained by the owner shall be subordinate to any FHA-insured mortgage lien transferred to, or placed on, such project by the Secretary, except that the Secretary may waive this requirement upon determination that such a waiver is necessary to facilitate the financing of acquisition, construction, and/or rehabilitation of the receiving project or projects.

(8) If the transferring project meets the requirements of subsection (d)(2), the owner or mortgagor of the receiving project or projects shall execute and record either a continuation of the existing use agreement or a new use agreement for the project where, in either case, any use restrictions in such agreement are of no lesser duration than the existing use restrictions.

(9) The transfer does not increase the cost (as defined in section 502 of the Congressional Budget Act of 1974, as amended) of any FHA-insured mortgage, except to the extent that appropriations are provided in advance for the amount of any such increased cost.

(d) *DEFINITIONS.—*For purposes of this section—

(1) the terms "low-income" and "very low-income" shall have the meanings provided by the statute and/or regulations governing the program under which the project is insured or assisted;

(2) the term "multifamily housing project" means housing that meets one of the following conditions—

(A) housing that is subject to a mortgage insured under the National Housing Act;

(B) housing that has project-based assistance attached to the structure including projects undergoing mark to market debt restructuring under the Multifamily Assisted Housing Reform and Affordability Housing Act;

(C) housing that is assisted under section 202 of the Housing Act of 1959, as amended by section 801 of the Cranston-Gonzales National Affordable Housing Act;

(D) housing that is assisted under section 202 of the Housing Act of 1959, as such section existed before the enactment of the Cranston-Gonzales National Affordable Housing Act;

(E) housing that is assisted under section 811 of the Cranston-Gonzales National Affordable Housing Act; or

(F) housing or vacant land that is subject to a use agreement;

(3) the term "project-based assistance" means—

(A) assistance provided under section 8(b) of the United States Housing Act of 1937;

(B) assistance for housing constructed or substantially rehabilitated pursuant to assistance provided under section 8(b)(2) of such Act (as such section existed immediately before October 1, 1983);

(C) rent supplement payments under section 101 of the Housing and Urban Development Act of 1965;

(D) interest reduction payments under section 236 and/or additional assistance payments under section 236(f)(2) of the National Housing Act;

(E) assistance payments made under section 202(c)(2) of the Housing Act of 1959; and

(F) assistance payments made under section 811(d)(2) of the Cranston-Gonzalez National Affordable Housing Act;

(4) the term "receiving project or projects" means the multifamily housing project or projects to which some or all of the project-based assistance, debt, and statutorily required low-income and very low-income use restrictions are to be transferred;

(5) the term "transferring project" means the multifamily housing project which is transferring some or all of the project-based assistance, debt, and the statutorily required low-income and very low-income use restrictions to the receiving project or projects; and

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

(e) RESEARCH REPORT.—The Secretary shall conduct an evaluation of the transfer authority under this section, including the effect of such transfers on the operational efficiency, contract rents, physical and financial conditions, and long-term preservation of the affected properties.

Explanation of this Section: This provision allows the transfer of subsidy, debt and use restrictions from an obsolete multifamily project to a viable multifamily project under a variety of specified conditions.

Proposed Action: The Department proposes to retain this provision with changes to the dates.

SEC. [212] ***207***. (a) No assistance shall be provided under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f) to any individual who—

(1) is enrolled as a student at an institution of higher education (as defined under section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002));

(2) is under 24 years of age;

(3) is not a veteran;

(4) is unmarried;

(5) does not have a dependent child;

(6) is not a person with disabilities, as such term is defined in section 3(b)(3)(E) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)(3)(E)) and was not receiving assistance under such section 8 as of November 30, 2005; and

(7) is not otherwise individually eligible, or has parents who, individually or jointly, are not eligible, to receive assistance under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f).

(b) For purposes of determining the eligibility of a person to receive assistance under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), any financial assistance (in excess of amounts received for tuition and any other required fees and charges) that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), from private sources, or an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except for a person over the age of 23 with dependent children.

Explanation of this Section: This provision clarifies the eligibility for assistance under section 8 of the United States Housing Act of 1937.

Proposed Action: The President's Budget proposes retaining this provision.

[SEC. 213. The funds made available for Native Alaskans under the heading "Native American Housing Block Grants" in title II of this Act shall be allocated to the same Native Alaskan housing block grant recipients that received funds in fiscal year 2005.**]**

Explanation of this Section: This section would direct block grant funds awarded to each tribe to be allocated to those entities that received funding in fiscal year 2005.

Proposed Action: The President's Budget proposes to exclude this provision because it is not supportive of tribal self-determination.

SEC. [214] ***208***. *CAP ON NUMBER OF HECM LOANS.—* [Notwithstanding the limitation in the first sentence of section 255(g) of the National Housing Act (12 U.S.C. 1715z-20(g)), the Secretary of Housing and Urban Development may, until September 30, 2017, insure and enter into commitments to insure mortgages under such section 255.] *Section 255(g) of the National Housing Act (12 U.S.C.1715z-20(g)) is amended by striking "AUTHORITY—"and all that follows through "275,000." and inserting "AMOUNT.—".*

Explanation of this Section: This section removes the limitations placed on Home Equity Conversion Mortgages (HECMs) that can be insured by the FHA.

Proposed Action: The President's Budget proposed to amend the provision to permanently remove the HECM cap.

SEC. [215] ***209.*** Notwithstanding any other provision of law, in fiscal year [2017] *2019*, in managing and disposing of any multifamily property that is owned or has a mortgage held by the Secretary of Housing and Urban Development, and during the process of foreclosure on any property with a contract for rental assistance payments under section 8 of the United States Housing Act of 1937 or other Federal programs, the Secretary shall maintain any rental assistance payments under section 8 of the United States Housing Act of 1937 and other programs that are attached to any dwelling units in the property. To the extent the Secretary determines, in consultation with the tenants and the local government, that such a multifamily property owned or held by the Secretary is not feasible for continued rental assistance payments under such section 8 or other programs, based on consideration of (1) the costs of rehabilitating and operating the property and all available Federal, State, and local resources, including rent adjustments under section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 ("MAHRAA") and (2) environmental conditions that cannot be remedied in a cost-effective fashion, the Secretary may, in consultation with the tenants of that property, contract for project-based rental assistance payments with an owner or owners of other existing housing properties, or provide other rental assistance. The Secretary shall also take appropriate steps to ensure that project-based contracts remain in effect prior to foreclosure, subject to the exercise of contractual abatement remedies to assist relocation of tenants for imminent major threats to health and safety after written notice to and informed consent of the affected tenants and use of other available remedies, such as partial abatements or receivership. After disposition of any multifamily property described under this section, the contract and allowable rent levels on such properties shall be subject to the requirements under section 524 of MAHRAA.

Explanation of this Section: This section governs the use of project-based subsidy in connection with managing and disposing of multifamily properties.

Proposed Action: The President's Budget proposes retaining the provision for fiscal year 2019.

[SEC. 216. The commitment authority funded by fees as provided under the heading "Community Development Loan Guarantees Program Account" may be used to guarantee, or make commitments to guarantee, notes, or other obligations issued by any State on behalf of non-entitlement communities in the State in accordance with the requirements of section 108 of the Housing and Community Development Act of 1974: *Provided*, That any State receiving such a guarantee or commitment shall distribute all funds subject to such guarantee to the units of general local government in nonentitlement areas that received the commitment.**]**

Explanation of this Section: This provision allows States to use Section 108 on behalf non-entitlement communities.

Proposed Action: The President's Budget proposes excluding this section, as it does not include Section 108 Loan Guarantees or funding for the Community Development Block Grant Program in the fiscal year 2019 request.

[SEC. 217. Public housing agencies that own and operate 400 or fewer public housing units may elect to be exempt from any asset management requirement imposed by the Secretary of Housing and Urban Development in connection with the operating fund rule: *Provided*, That an agency seeking a discontinuance of a reduction of subsidy under the operating fund formula shall not be exempt from asset management requirements.**]**

Explanation of this Section: This section permits small PHAs with 400 or fewer units to elect not to operate under asset management.

Proposed Action: The President's Budget proposes excluding this provision because the Department does not support increasing the threshold for exemption.

[SEC. 218. With respect to the use of amounts provided in this Act and in future Acts for the operation, capital improvement and management of public housing as authorized by sections 9(d) and 9(e) of the United States Housing Act of 1937 (42 U.S.C. 1437g(d) and (e)), the Secretary shall not impose any requirement or guideline relating to asset management that restricts or limits in any way the use of capital funds for central office costs pursuant to section 9(g)(1) or 9(g)(2) of the United States Housing Act of 1937 (42 U.S.C. 1437g(g)(1), (2)): *Provided*, That a public housing agency may not use capital funds authorized under section 9(d) for activities that are eligible under section 9(e) for assistance with amounts from the operating fund in excess of the amounts permitted under section 9(g)(1) or 9(g)(2).**]**

Explanation of this Section: This section prohibits the Department from imposing requirements or guidelines related to asset management that restricts or limits the use of capital funds for PHAs' central office/overhead costs.

Proposed Action: The President's Budget recommends excluding this provision. It is not necessary to repeat this provision since it was enacted to apply to "future Acts."

SEC. [219] ***210***. No official or employee of the Department of Housing and Urban Development shall be designated as an allotment holder unless the Office of the Chief Financial Officer has determined that such allotment holder has implemented an adequate system of funds control and has received training in funds control procedures and directives. The Chief Financial Officer shall ensure that there is a trained allotment holder for each HUD [sub-office] *appropriation* under the accounts "Executive Offices" and "Administrative Support Offices," as well as each account receiving appropriations [for] *under the general heading* "Program Office Salaries and Expenses", *and* "Government National Mortgage Association—Guarantees of Mortgage-Backed Securities Loan Guarantee Program Account" [and "Office of the Inspector General"] within the Department of Housing and Urban Development.

Explanation of this Section: This provision requires the OCFO to make sure that an adequate funds control system is in place and training on funds control procedures and directives has occurred for an official or employee before such official or employee is designated an allotment holder. It also requires the CFO to ensure that each office in the S&E accounts has a trained allotment holder.

Proposed Action: The President's Budget proposes retaining this provision with technical modifications. In addition, the President's Budget proposes to exclude the OIG from this requirement to allow that Office full independence over its financial management.

SEC. [220] *211.* The Secretary of the Department of Housing and Urban Development shall, for fiscal year [2017] *2019*, notify the public through the Federal Register and other means, as determined appropriate, of the issuance of a notice of the availability of assistance or notice of funding availability (NOFA) for any program or discretionary fund administered by the Secretary that is to be competitively awarded. Notwithstanding any other provision of law, for fiscal year [2017]*2019*, the Secretary may make the NOFA available only on the Internet at the appropriate Government web site or through other electronic media, as determined by the Secretary.

Explanation of this Section: This provision requires the Department to publish notices of availability of assistance or funding availability for any program that is competitively awarded. The notices may be published on the Internet.

Proposed Action: The Department proposes retaining this provision with date changes.

[SEC. 221. Payment of attorney fees in program-related litigation shall be paid from the individual program office and Office of General Counsel salaries and expenses appropriations. The annual budget submission for the program offices and the Office of General Counsel shall include any such projected litigation costs for attorney fees as a separate line item request. No funds provided in this title may be used to pay any such litigation costs for attorney fees until the Department submits for review a spending plan for such costs to the House and Senate Committees on Appropriations.**]**

Explanation of this Section: This provision requires the Department to pay all program-related litigation attorney fees from individual personnel benefits accounts and to reflect costs on separate line items in the budget submission.

Proposed Action: The Department proposes excluding this provision due to implementation issues and objections raised by the Department of Justice.

SEC. [222] *212.* The Secretary is authorized to transfer up to [10] *20* percent or [$4,000,000] *$6,000,000*, whichever is less, of funds appropriated for any office under the heading "Administrative Support Offices" or for any account under the general heading "Program Office Salaries and Expenses" to any other such office or account: *Provided*, That no appropriation for any such office or account shall be increased or decreased by more than [10] *20* percent or [$4,000,000] *$6,000,000*, whichever is less, without prior [written approval of] *notification to* the House and Senate Committees on Appropriations[: *Provided further*, That the Secretary shall provide notification to such Committees three business days in advance of any such transfers under this section up to 10 percent or $4,000,000, whichever is less].

Explanation of this Section: This provision gives the Secretary the authority to transfer a limited amount of funds, as needed, between accounts that provide for personnel and non-personnel expenses.

Proposed Action: The Department proposes retaining this provision with amendments. The increased transfer authority will allow the Department additional flexibility to efficiently make strategic realignments that support Administration priorities and emerging issues.

SEC. [223] ***213.*** (a)*(1)* Any entity receiving housing assistance payments shall maintain decent, safe, and sanitary conditions *in good repair*, as determined by the Secretary of Housing and Urban Development (in this section referred to as the "Secretary"), and comply with any standards under applicable State or local laws, rules, ordinances, or regulations relating to the physical condition of any property covered under a housing assistance payment contract.

(2) The requirements in this section shall apply to insured and noninsured projects with assistance attached to the units under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), but do not apply to such units assisted under section 8(o)(13) (42 U.S.C. 1437f(o)(13)) of such Act or to public housing units assisted with capital or operating funds under section 9 (42 U.S.C. 1437g) of such Act.

(b) The Secretary [shall] *may* take action under subsection (c) when a multifamily housing project with a section 8 contract or contract for similar project-based assistance[—]*:*

(1) receives a Uniform Physical Condition Standards (UPCS) score of [60] *59* or less; [or]

(2) fails to certify in writing to the Secretary within 3 *business* days that all Exigent Health and Safety deficiencies identified by the inspector at the project have been corrected*; or*

(3) fails to meet UPCS or local code requirements that establish standards for decent, safe, and sanitary housing.

[Such requirements shall apply to insured and noninsured projects with assistance attached to the units under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), but do not apply to such units assisted under section 8(o)(13) (42 U.S.C. 1437f(o)(13)) or to public housing units assisted with capital or operating funds under section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g).]

(c)(1) [Within 15 days of the issuance of the REAC inspection] *If the Secretary decides to take action based on a deficiency listed in subsection (b)*, the Secretary must provide the owner with a Notice of Default with a specified timetable, determined by the Secretary, for correcting all deficiencies. The Secretary must also provide a copy of the Notice of Default to [the tenants,] the local government, any mortgagees, and any contract administrator. If the owner's appeal results in a UPCS score of 60 or above, the Secretary may withdraw the Notice of Default.

(2) At the end of the time period for correcting all deficiencies specified in the Notice of Default, if the owner [fails] *has failed* to fully correct such deficiencies, the Secretary may—

(A) require immediate replacement of project management with a management agent approved by the Secretary;

(B) impose civil money penalties[, which shall be used solely for the purpose of supporting safe and sanitary conditions at applicable properties, as designated by the Secretary, with priority given to the tenants of the property affected by the penalty];

(C) abate *or suspend payment on* the section 8 contract, including partial abatement *or suspension*, as determined by the Secretary[, until all deficiencies have been corrected];

(D) pursue transfer of the project to an owner, approved by the Secretary under established procedures, which will be obligated to promptly make all required repairs and to accept renewal of the assistance contract as long as such renewal is offered;

(E) transfer the existing section 8 contract to another project or projects and owner or owners*, as determined by the Secretary under established procedures, which will be obligated to promptly make all required repairs and to accept renewal of the assistance contract as long as such renewal is offered*;

(F) pursue exclusionary sanctions, including suspensions or debarments from Federal programs;

(G) seek judicial appointment of a receiver to manage the property and cure all project deficiencies or seek a judicial order of specific performance requiring the owner to cure all project deficiencies;

(H) work with the owner, lender, or other related party to stabilize the property in an attempt to preserve the property through compliance, transfer of ownership, or an infusion of capital provided by a third-party that requires time to effectuate; or

(I) take any other regulatory or contractual remedies available*, including abatement, suspension, or termination of the section 8 contract,* as deemed necessary and appropriate by the Secretary.

[(d) The Secretary shall also take appropriate steps to ensure that project-based contracts remain in effect, subject to the exercise of contractual abatement remedies to assist relocation of tenants for major threats to health and safety after written notice to the affected tenants. To the extent the Secretary determines, in consultation with the tenants and the local government, that the property is not feasible for continued rental assistance payments under such section 8 or other programs, based on consideration of--

(1) the costs of rehabilitating and operating the property and all available Federal, State, and local resources, including rent adjustments under section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (``MAHRAA''); and

(2) environmental conditions that cannot be remedied in a cost-effective fashion, the Secretary may contract for project-based rental assistance payments with an owner or owners of other existing housing properties, or provide other rental assistance.]

(d)(1) Any Notice of Default issued pursuant to subsection (c)(1) shall include a requirement that the owner provide a copy of the Notice of Default to each tenant.

(2) The Secretary shall ensure that the owner or its agents provide tenants an opportunity to comment on the physical condition and management of the property, and any needed repairs. The Secretary may provide the substance of these communications to the project owner to assist in its corrective opportunity.

(3) If the Secretary terminates the section 8 contract pursuant to subsection (c)(2), the Secretary shall provide tenants with a copy of any notice to the owner to that effect.

(e) The Secretary shall report quarterly on all properties covered by this section that are assessed through the Real Estate Assessment Center and have UPCS physical inspection scores of less than 60 or have received an unsatisfactory management and occupancy review within the past 36 months. The report shall include—

(1) the enforcement actions being taken to address such conditions, including imposition of civil money penalties and termination of subsidies, and identify properties that have such conditions multiple times; *and*

(2) actions that the [Department of Housing and Urban Development] *Secretary* is taking to protect tenants of such identified properties[; and

(3) any administrative or legislative recommendations to further improve the living conditions at properties under a housing assistance payment contract].

Explanation of this Section: This general provision will enhance HUDs ability to exercise oversight within the PBRA program, allowing for HUD to mandate corrective action, contract transfers or change in management due to failure to meet physical condition standards. It makes minor edits and additions to increase the options available to the Secretary and clarify his role and responsibilities.

Proposed Action: The Department proposes retaining this provision with technical modifications.

SEC. [224] ***214.*** None of the funds made available by this Act, or any other Act, for purposes authorized under section 8 (only with respect to the tenant-based rental assistance program) and section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.), may be used by any public housing agency for any amount of salary, including bonuses, for the chief executive officer of which, or any other official or employee of which, that exceeds the annual rate of basic pay payable for a position at level IV of the Executive Schedule at any time during any public housing agency fiscal year [2017] *2019*.

Explanation of this Section: This provision establishes a cap on PHA personnel compensation tied to the Federal Executive Schedule pay scale.

Proposed Action: The President's Budget proposes to retain this provision for fiscal year 2019.

[SEC. 225. None of the funds in this Act may be available for the doctoral dissertation research grant program at the Department of Housing and Urban Development.**]**

<u>Explanation of this Section</u>: This section prohibits the funds from being used for the doctoral dissertation research grant program.

<u>Proposed Action</u>: The President's Budget does not request any funding for this program, and proposes excluding this provision.

[SEC. 226. Section 24 of the United States Housing Act of 1937 (42 U.S.C. 1437v) is amended—

(1) in subsection (m)(1), by striking "fiscal year" and all that follows through the period at the end and inserting "fiscal year 2017."; and

(2) in subsection (o), by striking "September" and all that follows through the period at the end and inserting "September 30, 2017.".**]**

<u>Explanation of this Section</u>: This provision extends the authorization of appropriations and sunset provision in the HOPE VI statute through fiscal year 2017.

<u>Proposed Action</u>: The President's Budget excludes this provision and does not request funds for the HOPE VI or Choice Neighborhoods programs.

[SEC. 227. None of the funds in this Act provided to the Department of Housing and Urban Development may be used to make a grant award unless the Secretary notifies the House and Senate Committees on Appropriations not less than 3 full business days before any project, State, locality, housing authority, tribe, nonprofit organization, or other entity selected to receive a grant award is announced by the Department or its offices.**]**

<u>Explanation of this Section</u>: This section requires HUD to notify the House and Senate Committee on Appropriations at least 3 full business days prior to announcing a grant award.

<u>Proposed Action</u>: The President's Budget proposes excluding this provision.

SEC. [228] ***215.*** [None of the funds made available by this Act maybe used] *<u>The Secretary may elect, through notice, not</u>* to require or enforce the Physical Needs Assessment (PNA) *<u>for public housing units</u>.*

<u>Explanation of this Section</u>: Prohibits funds from being used to require or enforce the Physical Needs Assessment (PNA).

<u>Proposed Action</u>: The President's Budget proposes modifying this provision.

[SEC. 229. None of the funds made available by this Act nor any receipts or amounts collected under any Federal Housing Administration program may be used to implement the Homeowners Armed with Knowledge (HAWK) program.**]**

<u>Explanation of this Section</u>: This provision prohibits HUD from using appropriated funds to implement the Homeowners Armed with Knowledge, a program that would allow those agreeing to participate in housing counseling to pay a reduced mortgage insurance premium.

<u>Proposed Action</u>: The Department is not proposing the HAWK program and proposes excluding this provision.

SEC. [230] ***216*****.** None of the funds made available in this Act shall be used by the Federal Housing Administration, the Government National Mortgage Administration, or the Department of Housing and Urban Development to insure, securitize, or establish a Federal guarantee of any mortgage or mortgage backed security that refinances or otherwise replaces a mortgage that has been subject to eminent domain condemnation or seizure, by a State, municipality, or any other political subdivision of a State.

<u>Explanation of this Section</u>: Prohibits HUD from guaranteeing mortgages or mortgage-backed securities that refinance or otherwise replace mortgages that have been subject to eminent domain.

<u>Proposed Action</u>: The President's Budget proposes retaining this provision.

[SEC. 231. None of the funds made available by this Act may be used to terminate the status of a unit of general local government as a metropolitan city (as defined in section 102 of the Housing and Community Development Act of 1974 (42 U.S.C. 5302)) with respect to grants under section 106 of such Act (42 U.S.C. 5306).**]**

<u>Explanation of this Section</u>: Prohibits funds from being used to terminate the status of a unit of local government as a metropolitan city, as defined under the CDBG program.

<u>Proposed Action</u>: The President's Budget proposes excluding this provision.

SEC. [232] ***217.*** Amounts made available under this Act which are either appropriated, allocated, advanced on a reimbursable basis, or transferred to the Office of Policy Development and Research in the Department of Housing and Urban Development and functions thereof, for research, evaluation, or statistical purposes, and which are unexpended at the time of completion of a contract, grant, or cooperative agreement, may be deobligated and shall immediately become available and may be reobligated in that fiscal year or the subsequent fiscal year for the research, evaluation, or statistical purposes for which the amounts are made available to that Office [subject to reprogramming requirements in section 405 of this Act].

> **Explanation of this Section:** This provision allows funding for research, evaluation and statistical purposes that is unexpended at the completion of a contract, grant or cooperative agreement to be deobligated and reobligated for additional research, evaluation or statistical purposes.
>
> **Proposed Action:** The President's Budget proposes including this provision with modification to more quickly address research and evaluation needed to support evidence-based policies.

Sec. [233] ***218.*** [None of the funds provided in this Act or any other act may be used for awards, including performance, special act, or spot, for any employee of the Department of Housing and Urban Development who has been subject to administrative discipline in fiscal years 2016 or 2017, including suspension from work.] *Employees of the Department of Housing and Urban Development who are subject to administrative discipline in fiscal year 2019, including suspension from work, shall not receive awards (including performance, special act, or spot) for the remainder of fiscal year 2019 after the effective date of the disciplinary action.*

> **Explanation of this Section:** This provision prohibits the Department from issuing performance awards to employees subject to administrative discipline.
>
> **Proposed Action:** The President's Budget proposes technical modifications to this provision to support implementation.

SEC. [239] ***219.*** *— RAD AMENDMENTS.—*The language under the heading Rental Assistance Demonstration in the Department of Housing and Urban Development Appropriations Act, 2012 (Public Law 112–55), *as amended by Public Law 113-76, Public Law 113-235, Public Law 114-113, and Public Law 115-31,* is amended—

[(1) in the second proviso, by striking "2018" and inserting "2020"; and

(2) in the fourth proviso, by striking "185,000" and inserting "225,000".]

(1) in matter preceding the first proviso, by inserting the following before the colon: "(herein the "First Component")";

(2) in the second proviso, by striking "until September 30, 2018" and inserting "for fiscal year 2012 and thereafter";

(3) by striking the fourth proviso;

(4) in the thirteenth proviso, as reordered above, by—

(A) inserting "or nonprofit" before "entity, then a capable entity,"; and

(B) striking "preserves its interest" and inserting "or a nonprofit entity preserves an interest";

(5) in the seventeenth proviso, as reordered above, by—

(A) inserting "or with a project rental assistance contract under section 202(c)(2) of the Housing Act of 1959," after "section 8(o) of the Act,";

(B) inserting "the subordination, restructuring, or both, of any documentation, including any note, mortgage, use agreement or other agreements evidencing or securing a capital advance previously provided by the Secretary under section 202(c)(1) of the Housing Act of 1959 as necessary to facilitate the conversion of assistance while maintaining the affordability period and the designation of the property as serving elderly persons, and" following "including but not limited to";

(C) inserting "or assistance contracts" after "for such vouchers"; and

(D) inserting the following before the colon: "(herein the "Second Component")";

(6) by inserting the following proviso after the seventeenth proviso, as reordered above:

"Provided further, That conversions of assistance under the Second Component may not be the basis for re-screening or termination of assistance or eviction of any tenant family in a property participating in the demonstration and such a family shall not be considered a new admission for any purpose, including compliance with income targeting:";

(7) in the nineteenth proviso, by striking "the previous proviso" and all that follows through the end of the proviso and inserting "the Second Component shall be available for project-based subsidy contracts entered into pursuant to the Second Component:";

(8) in the twentieth proviso, by striking "the previous two provisos" and inserting "the Second Component, except for conversion of section 202 project rental assistance contracts,";

(9) in the twenty-first proviso, by striking "the three previous provisos" and inserting "the Second Component, except for conversion of section 202 project rental assistance contracts,";

(10) by inserting the following proviso before the twenty-first proviso:

"Provided further, That the Secretary may transfer amounts made available under the heading "Housing for the Elderly" to the accounts under the headings "Project-Based Rental Assistance" or "Tenant-Based Rental Assistance" to facilitate any section 202 project rental assistance contract conversion under the Second Component, and any increase in cost for "Project-Based Rental Assistance" or "Tenant-Based Rental Assistance" associated with such conversion shall be equal to amounts so transferred:"; and

(11) in the twenty-third proviso, as reordered above, by striking "the previous four provisos" and inserting "the Second Component".

<u>Explanation of this Section</u>: This provision makes changes to the Rental Assistance Demonstration (RAD) Program

<u>Proposed Action</u>: The President's Budget proposes RAD amendments including elimination of the RAD unit cap, expansion to certain Section 202 properties, ensuring residents in the Second Component can't be rescreened upon re-entry (in alignment with the First Component), and aligning ownership requirements for foreclosures and LIHTC recapitalizations with other types of conversions.

Sec. [234] *220.* Funds made available in this title under the heading "Homeless Assistance Grants" may be used by the Secretary to participate in Performance Partnership Pilots authorized under section 526 of division H of Public Law 113–76, section 524 of division G of Public Law 113–235, section 525 of division H of Public Law 114–113, *<u>section 525 of division H of Public Law 115-31,</u>* and such authorities as are enacted for Performance Partnership Pilots in an appropriations Act for fiscal year*<u>s</u>* [2017] *<u>2018 or 2019</u>*[: *Provided*, That such participation shall be limited to no more than 10 continuums of care and housing activities to improve outcomes for disconnected youth].

<u>Explanation of this Section</u>: This provision adds Homeless Assistance Grants to the list of programs authorized to participate in the Performance Partnership Pilots for Disconnected Youth.

<u>Proposed Action</u>: The President's Budget proposes retaining this section.

Sec. [235] *221.* With respect to grant amounts awarded under the heading "Homeless Assistance Grants" for fiscal year[s 2015, 2016, and 2017] *<u>2019</u>* for the continuum of care (CoC) program as authorized under subtitle C of title IV of the McKinney-Vento Homeless Assistance Act, costs paid by program income of grant recipients may count toward meeting the recipient's matching requirements, provided the costs are eligible CoC costs that supplement the recipients CoC program.

<u>Explanation of this Section</u>: This provision would allow Homeless Assistance Grant recipients to count program income as an eligible match for 2019 CoC program funds.

<u>Proposed Action</u>: The Department proposes retaining this provision with date changes.

[SEC. 237. (a) Section 302 of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4822) is amended in subsection (e)—

(1) in paragraph (1)—

(i) by striking "handicapped" and inserting "persons with disabilities, or any 0-bedroom dwelling";

(ii) by inserting "or" after "expected to reside;"; and
(iii) by striking "less than 7 years of age" and inserting "under age 6";
(2) in paragraph (2) by striking "; or" and inserting "."; and
(3) by striking paragraph (3).

(b) Section 1004 of the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851b) is amended in paragraph (27)—
(1) by inserting "or any 0-bedroom dwelling" after "disabilities,"; and
(2) by deleting "housing for the elderly or persons with disabilities) or any 0 bedroom dwelling" and inserting "housing)".

(c) Section 401 of the Toxic Substances Control Act (15 U.S.C. 2681) is amended in paragraph (17)—
(1) by inserting "or any 0-bedroom dwelling" after "disabilities,"; and
(2) by deleting "housing for the elderly or persons with disabilities) or any 0 bedroom dwelling" and inserting "housing)".**]**

Explanation of this Section This provision updated the Lead-Based Paint Poisoning Prevention Act.

Proposed Action: This is a one-time provision so Department does not propose retaining this provision.

[SEC. 238. Section 211 of the Department of Housing and Urban Development Appropriations Act, 2008, is repealed.**]**

Explanation of this Section: This provision removes a reporting requirement.

Proposed Action: This is a one-time provision so Department does not propose retaining this provision.

SEC. *222.* *INFORMATION TECHNOLOGY FEE.*

(1) FEE.— For a period of four years, as established by the Secretary in paragraph (3), notwithstanding any provision of law, and in addition to any other fees charged in connection with the provision of insurance under title II of the National Housing Act (hereafter referred to as "the Act") (12 U.S.C. 1707 et seq.), the Secretary may charge and collect from each mortgagee a fee not to exceed $25 per mortgage endorsed or submitted for insurance endorsement under title II of the Act except mortgages insured under section 255 of such title (12 U.S.C. 1715z-20).

(2) USE OF FEE.—Such fee collected shall be used as offsetting collections for part of the administrative contract expenses funding and information technology expenses funding provided under the Mutual Mortgage Insurance Program Account under title II of the Act, for the purpose of modernizing single-family technology systems and supporting the implementation of new practices for interaction with mortgagees.

(3) IMPLEMENTATION. —The Secretary shall establish the amount of such fee through Mortgagee Letter or other administrative issuance after providing for public comment.

Explanation of this Section: This provision provides the authority to charge lenders a fee that will be used to enhance information technology systems within Single Family. This fee will allow FHA to upgrade its IT infrastructure and better serve lenders and borrowers.

Proposed Action: The President's Budget proposes the addition of this provision in 2019.

SEC. *223.* *HECM SPOUSAL SURVIVAL. —Section 255 of the National Housing Act (12 U.S.C. 1715z-20) is amended—*

(1) in subsection (b)(2), by inserting before the period ", except that the term "mortgagor" shall not include the successors and assigns of the original borrower under a mortgage"; and

(2) in subsection (j), by amending that subsection to read as follows:

"(j) SAFEGUARD TO PREVENT DISPLACEMENT OF HOMEOWNER. —

"(1) In order for a mortgage to be eligible for insurance under this section, the mortgage shall provide that the obligation of the homeowner to satisfy the loan obligation is deferred until the death of the homeowner, the sale of the home, or the occurrence of other events specified in regulations of the Secretary.

"(2) The Secretary shall provide deferrals for non-borrowing spouses meeting the eligibility criteria prescribed by the Secretary. The Secretary may, within the Secretary's sole discretion, also provide for further deferrals.

"(3) Section 1647(b) of title 15 and any implementing regulations issued by the Board of Governors of the Federal Reserve System shall not apply to a mortgage insured under this section."

Explanation of this Section: This provision would provide HUD with flexibility to establish how long an obligation to satisfy the HECM can be deferred. This provision gives the Department discretion to make deferrals and provides program flexibility to exempt lenders who would otherwise be required to immediately foreclose upon a living spouse.

Proposed Action: The President's Budget proposes adding this new provision.

[SEC. 240. The Secretary shall establish by notice such requirements as may be necessary to implement section 78001 of title LXXVIII of the Fixing America's Surface Transportation Act (Public Law 114–94), and the notice shall take effect upon issuance: *Provided*, That the Secretary shall commence rulemaking based on the initial notice no later than the expiration of the 6-month period following issuance of the notice and the rulemaking shall allow for the opportunity for public comment.**]**

Explanation of this Section: This provision allows the Secretary to implement a provision of the FAST Act, which allowed families in certain situations to limit income reviews by PHAs.

Proposed Action: This is a one-time provision so Department does not propose retaining this provision.

[SEC. 241. For fiscal year 2017 and hereafter, the Secretary of Housing and Urban Development may use amounts made available for the Continuum of Care program under the "Homeless Assistance Grants" heading under this title to renew a grant originally awarded pursuant to the matter under the heading "Department of Housing and Urban Development—Permanent Supportive Housing" in chapter 6 of title III of the Supplemental Appropriations Act, 2008 (Public Law 110–252; 122 Stat. 2351) for assistance under subtitle F of title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C 11403 et seq.). Such renewal grant shall be awarded to the same grantee and be subject to the provisions of such Continuum of Care program except that the funds may be used outside the geographic area of the continuum of care.**]**

Explanation of this Section: This provision allows the Secretary to bring Permanent Supporting Housing Grantees under the Homeless Assistance Grants program.

Proposed Action: This is a one-time provision so Department does not propose retaining this provision.

[SEC. 242. Section 218(g) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12748(g)) shall not apply with respect to the right of a jurisdiction to draw funds from its HOME Investment Trust Fund that otherwise expired or would expire in 2016, 2017, 2018, or 2019 under that section.**]**

Explanation of this Section: This provision allows grantees to draw on their HOME funds even if they missed the 24-month commitment window.

Proposed Action: This enacted provision already applies to 2019, so Department does not propose retaining this provision.

[SEC. 243. None of the funds made available by this Act may be used by the Department of Housing and Urban Development to direct a grantee to undertake specific changes to existing zoning laws as part of carrying out the final rule entitled "Affirmatively Furthering Fair Housing" (80 Fed. Reg. 42272 (July 16, 2015)) or the notice entitled "Affirmatively Furthering Fair Housing Assessment Tool" (79 Fed. Reg. 57949 (September 26, 2014))**]**

<u>Explanation of this Section</u>: This provision prevents HUD from directing grantees to make changes to zoning laws under the Affirmative Furthering Fair Housing rule.

<u>Proposed Action</u>: The Department does not propose retaining this provision.

SEC. ***224***. *REPLACEMENT HOUSING EXCEPTION.—*

(a) Section 8(o)(13) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(13)), as amended by section 106 of the Housing Opportunity Through Modernization Act of 2016 (Public Law 114–201), is amended by—

(1) revising the second sentence of subparagraph (B)(ii) by inserting after "Secretary", ", or that qualify, as defined by the Secretary, as replacement units for such units,"; and

(2) revising subparagraph (D)(ii)(IV) by inserting after "Secretary", ", or that qualify, as defined by the Secretary, as replacement units for such units,".

(b) The Secretary may implement the changes in subsection (a) through notice, and in such case the changes will not take effect until the effective date of the notice.

<u>Explanation of this Section</u>: This proposal amends the recently enacted HOTMA provision that allows certain formerly federally assisted projects to be exempt from the normally applicable project-based voucher PHA program cap and income-mixing requirements. This proposal allows HUD to provide PHAs with greater flexibility to use PBV new construction under this exception authority, such as allowing the PHA to receive the exemptions when constructing replacement PBV housing at a different site from the original project.

<u>Proposed Action</u>: The President's Budget proposes adding this new provision.

SEC. ***225.*** *SUPPORTIVE SERVICES INCOME-MIXING EXCEPTION.*

(a) Section 8(o)(13)(D)(ii)(I) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(13)(D)(ii)(I)), as amended by section 106 of the Housing Opportunity Through Modernization Act of 2016 (P.L. 114–201), is amended by striking "of the project" and inserting in its place, "in the project's supportive service units".

(b) The Secretary may implement the changes in subsection (a) through notice, and in such case the changes will not take effect until the effective date of the notice.

<u>Explanation of this Section</u>: Section 106(a)(3) of the Housing Opportunity Through Modernization Act of 2016 (HOTMA) recently amended section 8(o)(13)(D) of the United States Housing Act of 1937. Section 8(o)(13)(D) limits the number of units within a project that may receive project-based assistance to the greater of 25 units or 25 percent of the units in the project. There are several exceptions provided to this income mixing requirement, including an exception for units exclusively made available to households eligible for supportive services that are made available to the assisted residents of the project.

This proposal would amend the statute to provide that this exception applies for households eligible for supportive services that are made available for the supportive service units in the project, as opposed to requiring that services must be made available to all of the assisted families. Under this change, a project would be able to designate a certain number of units for supportive housing for persons with disabilities while also providing project-based voucher assistance in other units for very low-income families that would not need and would not be eligible for those supportive services.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. *226.* *RENT INCREASES.—For this fiscal year, the Secretary may elect through a Federal Register notice not to provide rent adjustments for properties receiving assistance under section 202 of the Housing Act of 1959 (12 U.S.C. 1701q), section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013), section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s), section 236(f)(2) of the National Housing Act (12 U.S.C. 1715z-1(f)(2)), or section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f) other than the voucher program under section 8(o) and the moderate rehabilitation program under section 8(e)(2) (including the single room occupancy program authorized by title IV of the McKinney-Vento Homeless Assistance Act).*

Explanation of this Section: The Department provides project based rental subsidies, through programs such as Sections 8, 202, 811 and 236, to approximately 20,000 private and not for profit multifamily property owners, containing approximately 1.4 million units. The majority of these contracts are governed by the Multifamily Assisted Housing Reform and Affordability Act (MAHRA), which requires the Department to provide annual rent increases. This provision would enable the Department to suspend this requirement for FY 2019.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. *227.* *PUBLIC HOUSING FLEXIBILITIES.—For funds made available in this or prior acts under the accounts "Public Housing Capital Fund" and "Public Housing Operating Fund", the Secretary of Housing and Urban Development may waive, or specify alternative requirements for, statutory or regulatory provisions related to public housing agency (PHA) administrative, planning, and reporting requirements, energy audits, income recertifications, and program assessments, upon a finding by the Secretary,* *consistent with a process and criteria established by notice published in the Federal Register, that any such waivers or alternative requirements are necessary to reduce costs or for the effective delivery and administration of such funds.*

Explanation of this Section: This proposal provides HUD with the authority to waive or specify alternative requirements to reduce costs or provide for the more effective administration of the Public Housing program. This authority is limited to certain subject areas and will provide PHAs with a variety of options for temporary administrative relief that may be tailored to reflect the specific needs of the individual PHA.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. *228.* *TENANT-BASED RENTAL ASSISTANCE FLEXIBILITIES.—For funds made available in this or prior acts under the account "Tenant-Based Rental Assistance", the Secretary of Housing and Urban Development may waive, or specify alternative requirements for, statutory or regulatory provisions related to the setting and adjustment of allowable rent levels, payment standards, tenant rent contributions, occupancy standards, public housing agency (PHA) program assessments, or other PHA administrative, planning, and reporting requirements, upon a finding by the Secretary, consistent with a process and criteria established by notice published in the Federal Register, that any such waivers or alternative requirements are necessary to reduce costs or for the effective delivery and administration of such funds.*

Explanation of this Section: This proposal provides HUD with the authority to waive or specify alternative requirements to reduce costs or provide for the more effective administration of the housing choice voucher program. This authority is limited to certain subject areas and will provide PHAs with a variety of options for cost savings and temporary administrative relief that may be tailored to reflect the specific needs of the individual PHA.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. *229.* *ENHANCED VOUCHER PAYMENT STANDARDS.—*

(a) Section 8(t)(1) of the United States Housing Act of 1937 (42 U.S.C. 1437f(t)(1)) is amended—

(1) in subparagraph (B), by striking ", and if, during" and all that follows through "families";

(2) by amending subparagraph (C) to read as follows:

"(C) the tenant rent limitation in section 8(o)(3) shall not apply to families receiving enhanced voucher assistance under this paragraph; and"; and

(3) in subparagraph (D), by striking "exceed" and inserting "be less than".

(b) The changes in this section only apply for eligibility events that occur 180 days after enactment of this Act.

Explanation of this Section: This proposal would eliminate the higher payment standard provision for enhanced vouchers. Instead, the normally applicable PHA payment standard that establishes a maximum limit on the amount of subsidy that may be paid on behalf of an assisted family will also apply to enhanced vouchers. The tenant rent limitation is waived so that families will not be required to relocate as a result of this change.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. *230.* *CAPITAL AND OPERATING FUND FLEXIBILITY.— A public housing agency may use operating reserve funds or any amounts allocated to the agency from funds appropriated under the heading "Public Housing Operating Fund" in fiscal year 2019 or prior fiscal years, except for any set-asides listed under such headings, for any eligible activities under subsections 9(d)(1) and 9(e)(1) of the United States Housing Act of 1937 (42 U.S.C. 1437g(d)(1) and (e)(1)).For funds appropriated under the heading "Public Housing Capital Fund" in prior fiscal years, except for any set-asides listed under such headings, a public housing agency may use any amounts allocated to the agency for any eligible activities under sections 9(d)(1) and 9(e)(1) of the United States Housing Act of 1937 (42 U.S.C. 1437g(d)(1) and (e)(1)).*

Explanation of this Section: This provision permits public housing agencies to use FY 2019 and prior Public Housing Operating funds, and prior Public Housing Capital funds for any eligible public housing purpose, regardless of the fund from which the amounts were allocated and provided.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. *231.* *MARK-TO-MARKET.—Section 579 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (42 U.S.C. 1437f note) is amended by striking "October 1, 2017" each place it appears and inserting in lieu thereof "October 1, 2022".*

Explanation of this Section: This provision extends the Mark-to-Market (M2M) program, which sunset on October 1, 2017. The purpose of the M2M program is to reduce Section 8 costs and preserve the affordability and availability of low-income rental housing. The M2M program allows participants to reduce the property rents to market level while, when necessary, simultaneously reducing property debt levels and owner costs through a number of tools authorized by the legislation. The M2M program includes properties with FHA-insured loans and Section 8 subsidies and was created in the Multifamily Assisted Housing Reform and Affordability Act of 1997.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. [236] ***232.*** CONTINUUM OF CARE TRANSITION GRANTS.

[(a) From amounts made available under this title under the heading "Homeless Assistance Grants", the Secretary may award 1-year transition grants to recipients of funds for activities under subtitle C of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11381 et seq.) to transition from one Continuum of Care program component to another.

(b) No more than 50 percent of each transition grant may be used for costs of eligible activities of the program component originally funded.

(c) Transition grants made under this section are eligible for renewal in subsequent fiscal years for the eligible activities of the new program component.

(d) In order to be eligible to receive a transition grant, the funding recipient must have the consent of the Continuum of Care and meet standards determined by the Secretary.]

Section 428 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11386b) is amended by adding at the end of the section, subsection (f) to read as follows:

"(f) TRANSITION FOR REALLOCATED GRANT.—

"(1) From amounts under this subtitle made available to carry out subtitle B and this subtitle, the Secretary may award one-year transition grants to recipients to transition from one Continuum of Care program component to another.

"(2) In order to be eligible to receive a transition grant, the project must have the consent of the Continuum of Care, and meet standards determined by the Secretary."

Explanation of this Section: This provision would allow CoC grantees to receive one-year transition grants to transition from one CoC program component to another. When a grant for a project is awarded through reallocation, it is a new project and cannot start operations until the grant agreement has been executed. However, there are instances where a new grant created through reallocation is using the staff and other resources, including housing, from the grant that is being eliminated to create the new grant. To avoid undue hardship on organizations, and to ensure that program participants are served in the most appropriate manner during the transition period, HUD is seeking authority to allow the eliminated project to continue operating during the transition period from the old to new grant.

Proposed Action: The President's Budget proposes retaining this provision, but editing it to make the change permanent.

SEC. ***233.*** *Of unobligated balances, including recaptures and carryover, from funds appropriated under the heading "Choice Neighborhoods Initiative" in fiscal year 2017, $137,000,000 are hereby permanently cancelled.*

Of the unobligated balances from prior year appropriations under the heading "Revitalization of Severely Distressed Public Housing (HOPE VI)", $1,000,000 are hereby permanently cancelled.

Explanation of this Section: This provision would cancel funds from the Choice Neighborhoods and HOPE VI programs.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. 234. *THRESHOLD REQUIREMENTS FOR LEAD-BASED PAINT HAZARD ELIMINATION IN FEDERALLY ASSISTED HOUSING.—Section 302(a)(1) of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4822(a)(1) is amended—*

(1) in subparagraph (D), by striking "$25,000 per unit in Federal funds" and inserting "$45,000 per unit in Federal funds, updated to adjust for inflation, as determined by the Secretary using a publicly available price or cost index, and rounded down to a multiple of $1,000, with such adjustment published by notice in the Federal Register with opportunity for public comment"; and

(2) in subparagraph (E), by striking "$25,000 per unit in Federal funds" and inserting "the amount of Federal funds specified in subparagraph (D)".

Explanation of this Section: This provision would raise the threshold for lead abatement under the Lead Safe Housing statute (42 U.S.C. 4822(a)(1)) to reflect inflation since the enactment of that statute thereby providing grantees more flexibility in how they address lead-based paint in a residence.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. 235. *Section 1018(a) of the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4852d(a)) is amended by adding at the end the following new paragraph:*

"(6) AUTHORITY OF THE SECRETARY.—

"(A) INVESTIGATIONS.—The Secretary is authorized to conduct such investigations as may be necessary to administer and carry out the Secretary's duties under this section. The Secretary is authorized to administer oaths and require by subpoena the production of documents, and the attendance and testimony of witnesses as the Secretary deems advisable. Nothing contained in this subparagraph shall prevent the Administrator of the Environmental Protection Agency from exercising authority under the Toxic Substances Control Act or this Act.

"(B) ENFORCEMENT.—Any district court of the United States within the jurisdiction of which an inquiry is carried, on application of the Attorney General, may, in the case of contumacy or refusal to obey a subpoena of the Secretary issued under this section, issue an order requiring compliance therewith; and any failure to obey such order of the court

may be punished by the court as a contempt thereof..".

<u>Explanation of this Section</u>: This provision would provide the Secretary with subpoena authority for enforcement of the Lead Disclosure Statute (42 U.S.C. 4852d).

<u>Proposed Action</u>: The President's Budget proposes adding this new provision.

SEC. 236. *Section 858 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12907) is amended—*
(1) in the title, by inserting ", SHORT-TERM AND MEDIUM-TERM HOUSING PAYMENTS ASSISTANCE," after "SUPPORTED HOUSING";
(2) by amending subsection (a)(2) to read as follows:
"(2) SHORT-TERM AND MEDIUM-TERM HOUSING PAYMENTS ASSISTANCE.—Providing rent assistance payments for short-term supported housing and short-term and medium-term rent and utilities payments to eligible persons who are homeless or in need of housing assistance to prevent homelessness of the tenant, and short-term and medium term mortgage and utilities payments to prevent homelessness of a mortgagor of a dwelling."; and
(3) by amending subsection (b)(3)(B) to read as follows:
"(B) HOUSING PAYMENTS ASSISTANCE.—A program assisted under this section may provide short-term and medium-term assistance, accruing over a period of no more than 24 months, for rent and utilities payments to eligible persons who are homeless or in need of housing assistance to prevent homelessness and for mortgage and utilities costs to eligible persons in need of housing assistance to prevent homelessness, provided that after receiving 3 months of assistance, the person's housing and supportive services needs are assessed on an ongoing monthly basis.

<u>Explanation of this Section</u>: This provision would expand the provision of short-term housing from 21 weeks to a maximum of 24 months, with a requirement for ongoing needs assessment, to provide communities with greater latitude in addressing the housing needs of those living with HIV who are at severe risk of homelessness.

<u>Proposed Action</u>: The President's Budget proposes adding this new provision.

SEC. 237. *With respect to grants awarded under the heading "Homeless Assistance Grants" for fiscal year 2019 for the continuum of care (CoC) program as authorized under section 422 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11382), grant amounts for rental assistance may be—*
(1) the amount calculated by multiplying—

(A) the fair market rent, as established by the Secretary of Housing and Urban Development, as of the date of the application for each unit proposed by the applicant to be assisted over the grant period; by

(B) the number and size of such units; or

(2) an estimate submitted by the applicant, so long as the estimate does not exceed the amount that would have been determined for that applicant based on paragraph (1).

Explanation of this Section: HUD proposes to allow additional flexibility for applicants to calculate their need for rental assistance. The change would allow applicants to use their own methodology for calculating their rental assistance budget rather than relying on a HUD determined formula. It would not change the amount of rental assistance that could be provided to a program participant. This change will simplify the application process and reduce opportunities for errors. It will also provide rental assistance amounts that more accurately reflect the need in each community.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. 238. *Notwithstanding section 423 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11383), grants awarded to qualified applicants may be used, at the discretion of the Secretary, to carry out projects that serve homeless individuals or families in rural communities that consist of one or more of the following eligible activities:*

(1) Payment of relocation assistance;

(2) Payment of short-term emergency lodging, including in motels or shelters, either directly or through vouchers;

(3) Repairs such as insulation, window repair, door repair, roof repair, and repairs that are necessary to make premises habitable; and

(4) Capacity building activities, including payment of staff training and staff retention.

Explanation of this Section: HUD proposes to allow rural communities to use funds for additional eligible activities, including capacity building, repairs, and other short-term activities that help rural homeless communities address barriers to transitioning homeless individuals and families to permanent housing. This provision helps address the lack of provider capacity in many rural areas and allows rural providers to use cost effective strategies to help individuals and families move into and retain permanent housing.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. 239. *Section 106(a)(4)(A) of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x(a)(4)(A)) is amended—*

(1) by striking "and" and inserting a comma; and

(2) by inserting the following before the period at the end: ", State and local governments, Indian tribes, and tribally

designated housing entities. The terms "Indian tribes" and "tribally designated housing entities" have the meanings given to them by section 4 of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4103)".

Explanation of this Section: This provision adds Indian tribes and tribally-designated housing entities to the list of eligible grantees under Housing Counseling.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. 240. *For mortgages insured under section 255 of the National Housing Act (hereafter referred to as "the Act") (12 U.S.C. 1715z-20), the Secretary may by mortgagee letter establish limits, based on the area in which the insured property is located, on the insurance benefits available under section 255(g) of the Act (12 U.S.C. 1715z-20(g) and on the principal obligation available under section 255(m)(2) of the Act (12 U.S.C. 1715z-20(m)(2)).*

Explanation of this Section: This provision authorizes the Department to establish loan limits for HECM loans insured under section 255 of the National Housing Act based on the geographic area in which the property securing the HECM is located.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. 241. *Section 8(o)(11) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(11)) is amended by inserting the following new subparagraph at the end:*
"(C) PHA RESPONSIBILITES AS OWNER.—As the owner of the unit, the public housing agency is subject to all of the program requirements and the terms and conditions of the housing assistance payment contract that the public housing agency would otherwise have executed as the owner of the unit. The public housing agency shall sign a certification, as prescribed by the Secretary, for the public housing agency-owned unit in lieu of executing a housing assistance payment contract, unless the unit is owned by an entity, limited liability company, or limited partnership described in subparagraph (B), in which case the entity, limited liability company, or limited partnership shall sign the housing assistance payment contract as the owner."

Explanation of this Section: The provision allows the PHA to certify to HUD that the PHA will fulfill all the program responsibilities required of a private owner for a PHA-owned unit. This will allow a family to rent a PHA-owned unit without the PHA first having to create a PHA-affiliate with which to execute the HAP contract. In either case, an independent entity is still required to conduct the unit inspections and other PHA administrative functions for the PHA-owned unit. This provision is designed to increase housing opportunities for voucher families by helping facilitate the use of PHA-owned units in the Housing Choice Voucher Program.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. 242. *UNEXPENDED INDIAN HOUSING BLOCK GRANT FUNDS.—Section 203(f)(2) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4133(f)(2)) is amended by adding "The Secretary may still determine the recipient did not carry out eligible activities in a timely manner in accordance with section 405 of this Act." after "any subsequent fiscal year.".*

Explanation of this Section: This proposal clarifies HUD's authority to address unexpended Indian Housing Block Grant (IHBG) funds. The language makes clear that regardless of the ability of IHBG recipients to accumulate grant funds for future use, HUD can still find that a recipient has failed to carry out eligible activities and expend grant funds in a timely manner.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. 243. *Section 401(a)(4) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4161(a)(4)) is amended—*

(1) in subparagraph (A), to read as follows:

"(A) IN GENERAL.—Notwithstanding any other provision of this Act or regulation, if the Secretary makes a determination that an action or a failure to act by a recipient of assistance under this Act is resulting, and would continue to result, in a continuing expenditure of Federal funds in a manner that is not authorized by law, the Secretary may immediately take an action described in paragraph (1) before conducting a hearing."; and

(2) in subparagraph (B)(ii), to read as follows:

"(ii) commence the hearing procedures not later than 60 days after the date on which the Secretary provides notice under clause (i).".

Explanation of this Section: This proposal would revise the Indian Housing Block Grant (IHBG) hearing process for suspected misappropriations of IHBG grant funds to allow HUD to commence – rather than complete - hearing procedures in 60 days and be able to suspend funds until the hearing is completed.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. 244. *NAHASDA GRANT RECOUPMENT.*

(a) Section 302 of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4152) is amended :

(1) by redesignating subsection (e) as subsection (f), and

(2) by inserting after subsection (d) the following:

"(e) OVERFUNDING.—If the Secretary determines that a recipient received more block grant funding than it should have according to the allocation formula, the recipient shall return the amount overfunded so that it may be properly allocated according to the formula. The recipient may return the overfunding from past, current, or future grant amounts, or from other funds. If the recipient fails to make arrangements to return the overfunding within a reasonable period of time, as determined by the Secretary, the Secretary may recoup the overfunding by offset against past, current, or future grant amounts. Nothing in this Act shall be construed as limiting the Secretary's authority to recoup grant overfunding; nor shall anything in this Act be construed as requiring formal hearing procedures or a finding of noncompliance for the Secretary to recoup grant overfunding.".

(b) The amendment applies to any overfunding, including funds allocated in prior fiscal years and to offsets completed in prior fiscal years.

Explanation of this Section: This proposal clarifies HUD's authority to recapture misallocated HUD funds. Funding allocations are in part based on self-reported, and sometimes incorrect, information from recipients, which can lead to a recipient receiving more Indian Housing Block Grant (IHBG) funding than it should have according to the allocation formula. This proposal makes clear that HUD has the authority to require the IHBG grantee to pay the excess funds back to agency, and allow HUD to recapture the funding by offsetting the excess funds against past, current, or future grants if a grantee cannot or refuses to repay the excess funds.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. 245. *NAHASDA TECHNICAL EDITS.—The Native American Housing Assistance and Self-Determination Act of 1996 is amended—*

(1) in section 103(c)(3) (25 U.S.C. 4113(c)(3)), by striking "section 102(c)(5)" and inserting "section 102(b)(2)(D)"; and

(2) in section 401(b)(4)(A) (25 U.S.C. 4161(b)(4)(A)), by striking "and" and inserting "or".

Explanation of this Section: This language is a necessary technical correction to an outdated cross reference in the Native American Housing Assistance and Self-Determination Act (NAHASDA). Section 103(c)(3) of NAHASDA contains a reference to section 102(c)(5) of NAHASDA but that citation was deleted in the 2008 Reauthorization of NAHASDA. The reference should be section 102(b)(2)(D).

Proposed Action: The President's Budget proposes adding this new provision.

SEC. 246. *Section 184(b) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13a(b)) is amended by adding at the end the following new paragraph:*

"(6) DIRECT GUARANTEE AND INDEMNIFICATION. —

"(A) The Secretary may authorize qualifying lenders to participate in a direct guarantee process for approving loans. If the Secretary determines that a mortgage insured through the direct guarantee process was not originated in accordance with the requirements established by the Secretary, then the Secretary may require the lender approved under this subparagraph to indemnify the Secretary for the loss, irrespective of whether the violation caused the mortgage default. If fraud or misrepresentation was involved in the direct guarantee process, the Secretary shall require the lender approved under this subparagraph to indemnify the Secretary for the loss regardless of when an insurance claim is paid.

"(B) Periodically, the Secretary may review the mortgagees originating or underwriting single family mortgages under this section, as follows:

"(i) In conducting this review the Secretary shall compare that mortgagee with other mortgagees originating or underwriting loan guarantees for Indian housing based on the rates of defaults and claims for insured single family mortgage loans originated or underwritten by that mortgagee.

"(ii) The Secretary may also compare that mortgagee with such other mortgagees based on underwriting quality; geographic area served; or any commonly used factors the Secretary deems necessary for comparing mortgage default risk, provided that such comparison is of factors that the Secretary would expect to reduce the default risk of mortgages insured by the Secretary.

"(iii) In carrying out the periodic review of mortgagee performance, the Secretary shall implement such comparisons by regulation, notice, or mortgagee letter.

"(iv) The Secretary may terminate the approval of a mortgagee to originate or underwrite loan guarantees for Indian Housing if the Secretary determines that the mortgage loans originated or underwritten by the mortgagee present an unacceptable risk to the Indian Housing Loan Guarantee fund based on a comparison of any of the factors set forth in this subparagraph or by a determination that the mortgagee engaged in fraud or misrepresentation."

Explanation of this Section: Lenders participating in the Section 184 direct loan guarantee program are able to underwrite loans for closing without prior HUD review. When lenders close loans that do not comply with the Section 184 requirements, this proposal would give HUD the option of requiring them to indemnify HUD for any losses suffered. This proposal would also allow lenders to be terminated from the program if it is determined that they pose an unacceptable risk to the program. This proposal gives this program authority that is critical in FHA programs, and will help reduce risk to the program by providing HUD with a remedy in cases where lenders do not originate or underwrite mortgage loans in accordance with program requirements and guidelines.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. 247. *Section 184(l) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13a(l)) is amended—*

(1) in paragraph (3), to read as follows:

"(3) The term "Indian" has the same definition as in section 4(10) of the Native American Housing Assistance and Self-Determination Act of 1996."; and

(2) in paragraph (8), to read as follows:

"(8) INDIAN TRIBE.—

"(A) INDIAN TRIBE.—The term "Indian tribe" has the same definition as in section 4(13)(A) of the Native American Housing Assistance and Self-Determination Act of 1996.

"(B) FEDERALLY RECOGNIZED TRIBE.—The term "Federally recognized tribe" has the same definition as in section 4(13)(B) of the Native American Housing Assistance and Self- Determination Act of 1996.

"(C) STATE-RECOGNIZED TRIBE.—The term "State-recognized tribe" has the same definition as in section 4(13)(C)(i) of the Native American Housing Assistance and Self- Determination Act of 1996.

"(D) CONDITIONS.—Nothing in paragraph (C) shall be construed to confer upon a State-recognized tribe any rights, privileges, responsibilities, or obligations otherwise accorded Indian tribes recognized by the United States for other purposes."

Explanation of this Section: This provision clarifies the definitions of "Indian", "Indian tribe", "federally recognized tribe", and "state-recognized tribe" in Sec. 184 of the Housing and Community Development Act of 1992, in order for them to align with the definitions in the Native American Housing Assistance and Self-Determination Act of 1996.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. 248. *Section 184A(c)(4) of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13b(c)(4)) is amended by adding the following new subparagraph (C):*

"(C) DIRECT GUARANTEE AND INDEMNIFICATION.—

"(i) The Secretary may authorize qualifying lenders to participate in a direct guarantee process for approving loans. If the Secretary determines that a mortgage insured through the direct guarantee process was not originated in accordance with the requirements established by the Secretary, then the Secretary may require the lender approved under this subparagraph to indemnify the Secretary for the loss, irrespective of whether the violation caused the

mortgage default. If fraud or misrepresentation was involved in the direct guarantee process, the Secretary shall require the lender approved under this subparagraph to indemnify the Secretary for the loss regardless of when an insurance claim is paid.

"(ii) Periodically, the Secretary may review the mortgagees originating or underwriting single family mortgages under this section, as follows:

"(aa) In conducting this review the Secretary shall compare that mortgagee with other mortgagees originating or underwriting loan guarantees for Native Hawaiian housing based on the rates of defaults and claims for insured single-family mortgage loans originated or underwritten by that mortgagee.

"(bb) The Secretary may also compare that mortgagee with such other mortgagees based on underwriting quality; geographic area served; or any commonly used factors the Secretary deems necessary for comparing mortgage default risk, provided that such comparison is of factors that the Secretary would expect to reduce the default risk of mortgages insured by the Secretary.

"(cc) In carrying out the periodic review of mortgagee performance, the Secretary shall implement such comparisons by regulation, notice, or mortgagee letter.

"(dd) The Secretary may terminate the approval of a mortgagee to originate or underwrite loan guarantees for Native Hawaiian housing if the Secretary determines that the mortgage loans originated or underwritten by the mortgagee present an unacceptable risk to the Native Hawaiian Housing Loan Guarantee Fund Program Account fund based on a comparison of any of the factors set forth in this subparagraph or by a determination that the mortgagee engaged in fraud or misrepresentation."

Explanation of this Section: Lenders participating in the Section 184A direct loan guarantee program are able to underwrite loans for closing without prior HUD review. When lenders close loans that do not comply with the Section 184A requirements, this proposal would give HUD the option of requiring them to indemnify HUD for any losses suffered. This proposal would also allow lenders to be terminated from the program if it is determined that they pose an unacceptable risk to the program. This proposal gives this program authority that is critical in FHA programs, and will help reduce risk to the program by providing HUD with a remedy in cases where lenders do not originate or underwrite mortgage loans in accordance with program requirements and guidelines.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. 249. *Amounts made available in title II of division K of the Consolidated Appropriations Resolution, 2003 (Public Law 108-7, approved February 20, 2003) under the heading "Indian Housing Loan Guarantee Fund Program Account" for necessary expenses of the Land Title Report Commission may be used by the Secretary of Housing and Urban Development, notwithstanding the purposes for which such funds originally were appropriated, in addition to other amount made available to* *the Secretary, for necessary expenses as determined by the Secretary, in support of meetings, hearings, or collaborations with the Bureau of Indian Affairs of the Department of the Interior to improve the process or system for maintaining land ownership records and title documents and issuing certified title status reports relating to Indian trust lands.*

Explanation of this Section: This provision allows HUD to use funds previously appropriated for the Land Title Commission to be used more broadly to support the same goal of improving processes and systems related to maintaining land records in Indian Country.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. 250. *Of the amounts made available for salaries and expenses under all accounts under this title (except for the Office of Inspector General account), a total of up to $10,000,000 may be transferred to and merged with amounts made available in the "Information Technology Fund" account under this title.*

Explanation of this Section: This provision allows for the transfer of up to $10 million from salaries and expenses to the Information Technology Fund.

Proposed Action: The President's Budget proposes adding this new provision.

SEC. 251. *Of remaining unobligated balances, including recaptures and carryover, from funds appropriated under the heading "Native Hawaiian Housing Loan Guarantee Fund Program Account" for the cost of guaranteed loans, $5,000,000 shall be cancelled: Provided, That this rescission shall not limit the authority to commit new loan guarantees under loan guarantee limitation provided in prior appropriations Acts.*

Explanation of this Section: As the Section 184A program has moved to a negative subsidy program, the subsidy appropriated in previous years is no longer needed. HUD proposes to rescind $5 million, leaving a balance of $1 million in case of changing subsidy rates.

Proposed Action: The President's Budget proposes adding this new provision.