

DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING
AND URBAN DEVELOPMENT, AND INDEPENDENT AGEN-
CIES APPROPRIATIONS BILL, 2004

JULY 24, 2003.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. WALSH, from the Committee on Appropriations,
submitted the following

R E P O R T

together with

ADDITIONAL AND DISSENTING VIEWS

[To accompany H.R. 2861]

The Committee on Appropriations submits the following report in
explanation of the accompanying bill making appropriations for the
Departments of Veterans Affairs and Housing and Urban Develop-
ment, and for sundry independent agencies, boards, commissions,
corporations, and offices for the fiscal year ending September 30,
2004, and for other purposes.

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voucher by some public housing authorities. With the enactment of the reforms in fiscal year 2003 and continued in fiscal year 2004, the Committee has eliminated the likelihood of huge amounts of Section 8 funds not being spent and later recaptured.

The recommendation includes the following:

—Renewal of expiring Section 8 contracts: \$16,295,578,000 for renewals of Section 8 vouchers and project-based contracts, an increase of \$1,304,448,179 over the fiscal year 2003 level, and \$205,709,996 over the request. This represents a 7 percent increase over the level provided for renewals in fiscal year 2003. These amounts are provided as follows:

Section 8 Vouchers.—The Committee recommends \$11,575,181,100 for the estimated renewal costs of Section 8 voucher renewals, an increase of \$633,811,100 over the fiscal year 2003 level and \$193,565,100 above the request.

The recommendation assumes a 92 percent average leasing rate for authorized vouchers requiring renewal in fiscal year 2004 as assumed in the budget. When combined with amounts provided in the Central Fund, the recommendation will support a 96 percent national average leasing rate in fiscal year 2004.

The Committee has provided a \$195,565,100 increase above the request for renewals to reflect re-estimates of the national average per unit rental subsidy cost, exclusive of administrative fees, based upon the most recent verified cost data. The original budget request, which was submitted prior to the availability of complete verified 2002 cost data, assumed a national average per unit rental subsidy cost of \$5,880. The Committee has provided funding assuming a \$5,980 national average per unit rental subsidy cost, the most recent estimate based on the verified actual 2002 cost data adjusted for inflationary cost increases.

Section 8 Quality Assurance Division.—The Committee appreciates that the reforms included in the fiscal year 2003 appropriations Act required a significant overhaul in the way the budget for the Section 8 voucher program is formulated and executed. The Committee commends the Department for the initiative it has shown and the tremendous amount of work it has done to expeditiously implement these reforms. The Committee believes that the reforms implemented provide a framework for making continued refinements to improve the accuracy and timeliness of current and future Section 8 funding requirements.

The Committee notes that while the Department currently requires public housing authorities to report on their monthly leasing rates and costs, such data is not currently verified and reconciled with funding levels provided. The Committee believes that more timely verification of voucher use and spending will enable the Department and the Congress to better monitor current Section 8 spending and project future budget requirements. Therefore, the recommendation includes \$10,000,000 and 75 FTE within the Salaries and Expenses account for the Office of Public and Indian Housing to establish a Quality Assurance Division for the Section 8 Voucher program to provide more timely validation of PHA program and financial information and ensure compliance with voucher program requirements.

A single appropriation has been provided to finance all salaries and related costs associated with administering the programs of the Department of Housing and Urban Development, except the Office of Inspector General and the Office of Federal Housing Enterprise Oversight. These activities include housing, mortgage credit and secondary market programs community planning and development programs, departmental management, legal services, and field direction and administration.

The Committee recommends total funding of \$1,122,130,000 for the salaries and expenses of the Department, a net increase of \$38,987,000 above the fiscal year 2003 level and \$10,000,000 above the request. The recommendation includes the following changes: \$59,487,000 increase for inflationary increases necessary to support 9,330 full-time equivalents (FTE) and a \$10,000,000 increase and an additional 75 FTE to support a new section 8 quality assurance office; offset by \$30,500,000 in decreases for one-time expenses.

Language is included in the bill setting forth the amounts and staffing levels provided for the various offices funded under this heading as follows:

Office	FTE	Amount
Office of Housing	3,483	\$323,061,000
Office of Public and Indian Housing	1,745	183,209,000
Office of Community Planning and Development	834	80,696,000
Office of Policy Development and Research	161	21,424,000
Office of Fair Housing and Equal Opportunity	669	61,564,000
Office of Healthy Homes and Lead Hazard Control	38	3,946,000
Government National Mortgage Association	70	7,923,000
Departmental Management	189	21,084,000
Center for Faith-Based and Community Initiatives	8	2,630,000
Office of the Chief Financial Officer	248	38,857,000
Office of the General Counsel	698	76,007,000
Office of Field Policy and Management	530	53,436,000
Office of Administration	732	248,293,000
Total, Management and Administration	9,405	\$1,122,130,000

The Department may reallocate funds and FTE between the amounts specified above for these offices only in accordance with operating plan and/or reprogramming procedures. Amounts provided are consistent with modifications made by the Department to the original budget submission to reflect the revised staffing distribution consistent with the corrective action plan submitted to the Committee in response to the significant over-hiring that occurred during fiscal year 2003. The Committee expects that the Office of the Chief Financial Officer's Office of Budget will be provided the necessary resources to implement the corrective action plan.

In addition, the Committee has included an increase of \$10,000,000 and 75 FTE for the Office of Public and Indian Housing to establish a Division of Quality Assurance for activities associated with the Section 8 voucher program.

Consistent with modifications to the original budget submission, the object classification distribution, which shall also serve as the basis for operating plan and reprogramming changes is as follows:

Personal Services—\$888,234,000
 Travel and Transportation of Persons—\$20,600,000
 Transportation of Things—\$550,000

Rent, Communications and Utilities—\$135,555,000
 Printing and Reproduction—\$3,900,000
 Other Services—\$64,901,000
 Supplies and Materials—\$4,999,000
 Furniture and Equipment—\$3,200,000
 Indemnities—\$200,000

Public and Indian Housing Division of Quality Assurance.—Includes \$10,000,000 and 75 FTE to establish a Division of Quality Assurance with the Office of Public and Indian Housing. The Committee recommends the establishment of this new division to ensure accurate and timely data regarding the expenditure and projected future funding requirements for the Section 8 voucher program. The Committee has also addressed the creation of this new division elsewhere in this report under the Housing Certificate Fund. The Committee recommendation includes \$7,500,000 in Personal Services and \$2,500,000 in Other Services object classifications for this purpose.

Operating Plans/Reprogramming Requirements.—The Committee appreciates the need for management flexibility to allocate management and administrative resources or reorganize offices and programs to address changing requirements at the departments and agencies funded in the bill, including HUD. To provide such flexibility, while ensuring appropriate consultation and oversight, all Departments within the Subcommittee's jurisdiction are required to submit operating plans and reprogramming letters and reorganization proposals for Committee approval. On a number of occasions, the Committee has expressed its concerns that HUD has not adhered to these requirements and instead has reallocated resources among programs, projects and activities, reorganized offices and created new offices without prior notification and approval by the Committee. The Committee directs HUD to follow the Committee's requirements regarding operating plans, reprogrammings and reorganizations so that the Committee is kept informed of, and therefore is better able to respond to, changing requirements at the Department. HUD is reminded that operating plans or reprogramming requirements apply to any reallocation of resources totaling more than \$500,000 among any program, project or activity as well as to any significant reorganization within offices or the proposed creation or elimination of any program or office, regardless of the dollar amount involved; and any reorganization, regardless of the dollar amount involved. Object classification changes above \$500,000 also are subject to operating plan or reprogramming requirements. Unless otherwise specified in this Act or the accompanying report, the approved level for any program, project, or activity is that amount detailed for that program, project, or activity in the Department's annual detailed budget justification document. These requirements apply to all funds provided to the Department. The Department is expected to make any necessary changes during fiscal year 2004 to its current procedures and systems to ensure that it is able to meet the necessary operating plan and reprogramming requirements applied to other agencies funded in the bill.

Funds Control/Financial Management.—To address long-standing weaknesses in departmental compliance with appropriations statutes, regulations and OMB circulars and to improve funds control and financial management, the fiscal year 2003 appropriations