

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

PUBLIC HOUSING OPERATING FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2005 Appropriation .....	\$2,458,000	\$3,823 <sup>a</sup>	-\$20,790 <sup>b</sup>	\$2,441,033	\$2,439,790	\$3,572,209
2006 Appropriation/Request .....	3,600,000	1,223	-36,000	3,565,223	3,565,223	3,545,000
2007 Request .....	<u>3,564,000</u>	<u>...</u>	<u>...</u>	<u>3,564,000</u>	<u>3,564,000</u>	<u>3,564,000</u>
Program Improvements/Offsets .....	-36,000	-1,223	+36,000	-1,223	-1,223	+19,000

a/ Includes recaptures of \$1.223 million.

b/ Includes unobligated balance of \$1.126 million.

**Summary Statement**

The Budget proposes an appropriation of \$3.564 billion for the Public Housing Operating Fund for fiscal year 2007. These funds will enable approximately 3,160 Public Housing Agencies (PHAs) to provide decent, safe, and sanitary housing for lower-income families. The 2007 is the same level as the fiscal year 2006 enacted level of \$3.564 billion, which is net of a 1 percent across-the-board rescission. During fiscal year 2007, the Department will implement the Operating Fund Final Rule, which would allocate operating subsidies based on the formula developed by the Harvard University School of Design (GSD) and the recommendations of the Operating Fund Negotiated Rulemaking Advisory Committee, and requires that public housing converts to an asset management model by fiscal year 2011. These reforms are significant and will further improve the performance, effectiveness, and efficiency of this program. Efforts are ongoing to further capture performance improvements. The fiscal year 2007 request reflects the first year implementation of the Final Rule. The request includes a \$5.940 million set-aside for asset-based management transition costs, which will be used to support the transition to the asset based management concept. The request reflects the requirements for fiscal year 2007 only.

**Initiative**

Housing Self-Sufficiency Award. The Department is requesting \$9.9 million for this program for fiscal year 2007, which replaces the Voluntary Graduation Incentive program. These funds can be used for programs and activities designed to promote the economic self-sufficiency and financial management skills of public housing residents resulting in residents moving away from dependency on housing assistance programs.

Public Housing Operating Fund

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

<u>Budget Activity</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2005 Obligations</u>	<u>2006 Budget Authority/ Request</u>	<u>2005 Carryover Into 2006</u>	<u>2006 Total Resources</u>	<u>2007 Request</u>
Operating Subsidy .....	\$2,419,354	\$3,823	\$2,423,177	\$2,421,954	\$3,564,000	\$1,223	\$3,565,223	\$3,548,160
Department of Justice .	7,936	...	7,936	7,936	...	...	...	...
Asset-Based Management Transition Fund .....	...	...	...	...	...	...	...	5,940
Housing								
Self-Sufficiency Award	<u>9,920</u>	<u>...</u>	<u>9,920</u>	<u>9,920</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>9,900</u>
Total .....	2,437,210	3,823	2,441,033	2,439,810	3,564,000	1,223	3,565,223	3,564,000

<u>FTE</u>	<u>2005 Actual</u>	<u>2006 Estimate</u>	<u>2007 Estimate</u>
Headquarters .....	60	60	59
Field .....	<u>78</u>	<u>77</u>	<u>77</u>
Total .....	138	137	136

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

<b>Operating Subsidy</b>	<u><b>Amount</b></u>
2005 Appropriation .....	\$2,419,354
2006 Appropriation/Request .....	3,564,000
2007 Request .....	<u>3,548,160</u>
Program Improvements/Offsets .....	-15,840

**Proposed Actions**

The Department proposes to use \$3.548 billion for operating subsidies for PHAs in fiscal year 2007. Operating subsidies are provided to PHAs to assist in funding the operating and maintenance expenses, including payments resulting from multi-year bond financing deals, of their owned dwellings in accordance with Section 9 of the United States Housing Act of 1937, as amended. Operating subsidies for fiscal year 2007 will be provided under the new Operating Fund formula. In fiscal year 2007, HUD will provide a 2 percent holdback of the amount made available for the Operating Fund formula to fund appeals that are filed during fiscal year 2007. The 2007 Budget request reflects the requirements of operating subsidies for fiscal year 2007 only. No portion of the request will be used for prior fiscal year shortfalls.

The new Operating Fund formula is based on the model developed by the Harvard University Graduate School of Design (GSD) "Public Housing Cost Study" (Cost Study). A Congressional Conference Report accompanying the fiscal year 2000 Appropriation Act directed HUD to contract with Harvard University GSD to perform the Cost Study. The fiscal year 2004 Consolidated Appropriations Act (P.L. 108-99), approved January 23, 2004, required HUD to undertake negotiated rulemaking to make changes to the formula governing the Public Housing Operating Fund. In response to this statutory language, HUD established a Negotiated Rulemaking Committee consisting of Public Housing Agencies, tenant organizations, other interests/policy groups, and representatives of HUD. The Committee held four meetings and reached agreement on a new Operating Fund formula and asset management, which implements the recommendations made by the Harvard Cost Study. The Operating Fund Rule adopted the recommendations of the Negotiated Rulemaking Committee, except for the following two items: (1) no funding was provided for the \$2 per unit month public entity fee, and (2) the formula retained the current Interim Rule inflation factor. The Department will begin funding PHAs during fiscal year 2007 under the new operating subsidy formula.

The Cost Study also recommended a transition to asset-based management to further PHAs' focus and accountability for each individual public housing property as a valuable low rent real estate asset. Asset management includes adoption of project-based accounting and project-based management to align PHA management and accounting practices that the rest of the multifamily real estate industry utilizes. All PHAs are required to implement project-based accounting by fiscal year 2007 and asset management by fiscal year 2011.

Public Housing Operating Fund

The table below reflects the funding for the primary elements comprising the proposed fiscal year 2007 Budget request.

Description	ACTUAL	ESTIMATE	ESTIMATE
	<u>2005</u>	<u>2006</u>	<u>2007</u>
	(Dollars in Millions)		
Non Utility Expense Level (AEL/PEL).....	\$4,096	\$4,242	\$4,590
Utilities.....	1,354	1,412	1,386
Less: Tenant Income.....	<u>-2,351</u>	<u>-2,388</u>	<u>-2,495</u>
Public Housing Operating Fund Base.....	3,099	3,266	3,481
Alternative Subsidy Projects.....	144	149	0
MTW Block Grant, PHAs not in Base.....	445	460	477
Public Housing Add-ons:			
Non-Dwelling Units.....	10	11	0
Elderly/Disabled Coordinators.....	15	15	15
Unit Reconfigurations.....	21	22	0
Transition funding for Demolitions (Phase Down).....	37	39	0
Resident Participation.....	24	25	26
Costs Attributable to Deprogrammed Units.....	7	7	0
Energy-Add On for Loan Amortization.....	19	20	21
Long-Term Vacant Units.....	2	2	0
Other Approved.....	1	1	0
Payments in Lieu of Taxes.....	0	0	129
Cost of Independent Audit.....	0	0	16
Asset Management Fee.....	0	0	49
Information Technology Fee.....	0	0	26
Asset Repositioning Fee.....	0	0	47
Mutual Help and Turnkey Units.....	1	1	1
Less estimated savings from:			
Transition.....	0	0	-104
<b>Subtotal: Operating Fund Base.....</b>	<b>3,825</b>	<b>4,018</b>	<b>4,184</b>
Less Rescission.....	-21	-36	0
Unfunded Proration.....	-392	-418	-636
<b>Total Funded.....</b>	<b>3,412</b>	<b>3,564</b>	<b>3,548</b>
Calendar Year Shift -- FY 2005.....	-992	0	0
<b>Total.....</b>	<b>2,420</b>	<b>3,564</b>	<b>3,548</b>
Set-asides Within the Operating Fund:			
Housing Self-Sufficiency Award.....	10	0	10
Weed & Seed Program.....	8	0	0
Asset Based Management Transition Fund.....	0	0	6
<b>Total Budget Year Enacted/Request:.....</b>	<b>2,438</b>	<b>3,564</b>	<b>3,564</b>
Carryover.....	3	0	0
<b>Total Resources Available.....</b>	<b>2,441</b>	<b>3,564</b>	<b>3,564</b>
<b>Proration Percentage.....</b>	<b>89.0%</b>	<b>88.7%</b>	<b>85.0%</b>

Public Housing Operating Fund

Specific factors affecting the fiscal year 2007 operating subsidy estimates are:

1. Economic Assumptions. The fiscal year 2007 estimate incorporates the most recent economic assumptions about inflation, and presumes an increase in non-utility costs, and a decrease in utility rates from the 2006 estimate. The calculation of individual PHA subsidy formula requirements includes the use of an inflation factor, which is a weighted average percentage increase in local government employee compensation and non-wage expenses. Under the new Operating Fund formula, tenant income is frozen at fiscal year 2004 level for a 3-year period beginning with the fiscal year 2007 formula. Hence, PHAs are permitted to retain 100 percent of the difference between the rent collected in fiscal year 2004 versus the rents actually collected in fiscal years 2007, 2008, and 2009. As a result of this provision, a new baseline of tenant income used in the formula is increased by \$108 million in fiscal year 2007. Both fiscal years 2006 and 2007 tenant income assumes a certain level of units under management. It is estimated that in fiscal year 2007 a slightly smaller number of units will be under management than in the previous year.
2. Alternative Subsidy Projects. The new Operating Fund formula regulation incorporates four Public Housing Agencies (PHAs) formerly considered under a special provision in the Interim Rule. These PHAs included Virgin Islands, Puerto Rico, Guam, and Alaska.
3. Public Housing Add-ons. The fiscal year 2007 estimate reflects additional formula expenses that are not included in the Public Housing Operating Fund Base. These eligible formula expenses are referred to as "add-ons" and as a general category of the formula are not new. Some of the specific items have changed to be consistent with the structure of the Cost Study model and the recommendations of the Negotiated Rulemaking Committee. As a result, certain add-ons in the 2006 formula model, such as FICA and Unemployment, are now included in the 2007 Operating Fund Base. All add-ons under the new formula are detailed below.
  - a. Non-Dwelling Units. For fiscal year 2007, these units are incorporated into the Public Housing Operating Fund Base in a category of Eligible Unit Months referred to as approved vacancies and special use units. Operating subsidies for special use units removed from the dwelling rental inventory are generally used to support resident economic self-sufficiency or resident services.
  - b. Elderly/Disabled Service Coordinators. The estimate reflects funding for the annual renewal of the public housing elderly and/or disabled service coordinators.
  - c. Unit Reconfigurations. After fiscal year 2006, the new formula regulation for fiscal year 2007 incorporates these costs into the Public Housing Operating Fund Base Project Expense Level (PEL).
  - d. Transition Funding for Demolition (Phase Down). After fiscal year 2006, the new formula regulation in fiscal year 2007 incorporates phase down transition costs into the add-on entitled Asset Repositioning Fee.
  - e. Resident Participation. PHAs are eligible to receive \$25 per occupied unit on an annual basis for this function. These funds will be used to support existing as well as new initiatives associated with resident participation.
  - f. Cost attributable to deprogrammed units. After fiscal year 2006, the new formula regulation in fiscal year 2007 incorporates deprogrammed unit cost into the add-on entitled Asset Repositioning Fee.
  - g. Energy Add-On for Loan Amortization. As an incentive toward energy conservation, this add-on covers the loan principal and interest payments of the energy conservation measures incurred by a PHA in accordance with regulations.
  - h. Long-Term Vacant Units. This add-on was discontinued as an eligible unit month under the new regulation after fiscal year 2005. However, PHAs may receive funding for long-term vacant units based on an appeal to HUD for vacant units due to changing market conditions.

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- i. Other Approved. This item reflects adjustments as a result of changes in Federal law or revision in HUD or other Federal regulations.
- j. Payments in Lieu of Taxes (PILOT). Costs for PILOT were recognized in the Public Housing Non-Utility Expense Level (AEL 2006) for fiscal year 2006. PILOT costs are considered as an add-on under the new Operating Fund formula.
- k. Cost of Independent Audit. PHAs are eligible for funding for the expense of auditing their Operating Fund program in accordance with Generally Accepted Accounting Principles (GAAP). These cost are an add-on under the new rule. Audit cost were included in the Non Utility Expense Level for fiscal year 2006.
- l. Asset Management Fee.<sup>\*</sup> PHAs with at least 250 units are eligible to receive a \$4 Per Unit Month (PUM) asset management fee. PHAs with less than 250 units that elect to transition to project-based management are eligible for a \$2 PUM asset management fee.
- m. Asset Repositioning Fee.<sup>\*</sup> PHAs that transition public housing units out of their inventory are eligible for an asset repositioning fee. This fee supplements costs associated with administration and management of demolition or disposition, tenant relocation, and minimum protection and services associated with such efforts.
- n. Information Technology (IT) Fee.<sup>\*</sup> PHAs are eligible for a \$2 per unit month funding for costs attributable to information technology. This fee supplements higher information technology expenses associated with the management of public housing.
- o. Transition saving/cost. These savings and costs result from the new regulation transition funding that provides for a gradual increased formula share for PHAs that gain funding and gradual decreases for PHAs that receive lower formula share relative to the interim formula.
- p. Two percent Hold-back for Appeals. Under the new formula regulation, a 2 percent hold-back is utilized to fund appeals in fiscal years 2006 and 2007.

<sup>\*</sup>Reflects new add-ons beginning in fiscal year 2007 under the new Operating Fund formula.

Public Housing Operating Fund

PHA REVENUE AND EXPENDITURE PATTERN

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

**Public Housing Authorities' Operating Revenues**  
(Dollars in Millions)

<u>Category</u>	<u>Annual Revenue</u>	<u>Percent of Total</u>
Operating Subsidies	\$3,564	53
Dwelling Rental	2,908	43
Investment Income	66	1
Other Income	232	3
Total Operating Revenue	6,770	100

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

<u>Category</u>	<u>Annual Expenditures</u>	<u>Percent of Total</u>
Utilities	\$1,481	22
Administration	1,905	29
General Operating Expenses	586	9
Maintenance	2,443	36
Tenant Services	166	2
Protective Services	182	3
Capital Expenditures	7	0
Operating Reserve	0	0
Total Operating Expenses	6,770	100

Operating Subsidies. Includes operating funds received during the year.

Dwelling Rental. Includes tenant rent.

Investment Income. Includes income from investments.

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

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

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

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

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

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

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

Capital Expenditures. Includes extraordinary maintenance, casualty losses and property betterments (e.g. roofs and furnaces).



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

<b>Department of Justice</b>	<b><u>Amount</u></b>
2005 Appropriation .....	\$7,936
2006 Appropriation/Request .....	...
2007 Request .....	<u>...</u>
Program Improvements/Offsets .....	...

**Proposed Actions**

The Department is not requesting any funds for this program for fiscal year 2007. Anti-crime/anti-drug activities are currently eligible activities under the Operating Fund program. Leaving the funds within the overall formula program gives PHAs' the discretion to allocate funds to anti-crime/anti-drug activities or other activities, as PHAs deem appropriate.

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

<b>Housing Self-Sufficiency Award</b>	<b><u>Amount</u></b>
2005 Appropriation .....	\$9,920
2006 Appropriation/Request .....	...
2007 Request .....	<u>9,900</u>
Program Improvements/Offsets .....	+9,900

**Proposed Actions**

The Department is requesting \$9.9 million for this program for fiscal year 2007, which replaces the Voluntary Graduation Incentive program. This proposal will provide funds to PHAs that assist program participants in moving away from dependency on housing assistance programs. Housing Self-Sufficiency Award funds can be used for programs and activities designed to promote the economic self-sufficiency and financial management skills of public housing.

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

<b>Asset-Based Management Transition Fund</b>	<u>Amount</u>
2005 Appropriation .....	...
2006 Appropriation/Request .....	...
2007 Request .....	<u>\$5,940</u>
Program Improvements/Offsets .....	+5,940

**Proposed Actions**

The Department is requesting \$5.940 million in fiscal year 2007 to fund the costs associated with implementing asset-based management in public housing. This set-aside will support the increase in technical assistance for PHAs relative to implementing asset-based management. Beginning in 2007, based on the Proposed Operating Fund Rule, PHAs will need to convert to asset-project-based accounting, as recommended by the Harvard University Graduate School of Design (GSD) "Public Housing Cost Study" (Cost Study). This conversion will reshape almost all business processes associated with the public housing program. The requested funding will provide technical assistance to PHAs to insure they are following sound financial management practices in the operation of public housing projects, particularly in the areas of budgeting, financial reporting, and property/liability insurance.

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

Program Name: <b>OPERATING FUND</b>					
Program Mission: The Public Housing Operating Fund provides operating subsidy payments to approximately 3,160 PHAs with a total of over 1.2 million units under management. Operating subsidies are provided to PHAs to assist in funding the operating and maintenance expenses of their owned or managed dwellings.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2005 Plan	2005 Actual	2006 Plan	2007 Plan
The high incidence of program errors and improper payments in HUD's rental housing assistance programs will be reduced.	RHIIPS, PDR&R Draft Final Report, Quality Control for Rental Assistance Subsidies Determinations dated December 5, 2003	6.9%	5.6%	5.0%	3.0%
The share of public housing units that meet HUD-established physical standards maintain at 86.5 percent.	Real Estate Assessment Center's (REAC) Physical Assessment Subsystem	85.1%	85.1%	86.5%	86.5%

**Explanation of Indicators**

Operating subsidies are provided to PHAs to assist in funding the operating and maintenance expenses of their owned or managed dwellings.

**The high incidence of program errors and improper payments in HUD's rental housing assistance programs will be reduced.**

The rental housing assistance programs (public housing, Tenant-Based Rental Assistance, and Project-Based Rental Assistance) constitute HUD's largest appropriated activity, with over \$26 billion in annual expenditures. Based on studies of fiscal year 2000 program activity, HUD estimated that 60 percent of all subsidized rent calculations were done in error, and that there were approximately \$3.2 billion in gross erroneous payments and \$2 billion in net annual subsidy overpayments attributed to the combination of program administration errors and tenant underreporting of income upon which the subsidy is based. Under the President's Management Agenda, HUD established a goal for a 50 percent reduction in both the frequency of subsidy component and processing errors, and the corresponding portion of the \$2 billion in estimated net annual subsidy overpayments, by 2005. HUD surpassed the 2005 target with a 62 percent reduction in gross improper payments from 2000 levels.

HUD's success in achieving its reduction goals can be attributed to the Rental Housing Integrity Improvement Project (RHIIP). HUD initiated the RHIIP in the spring of 2001 to address this improper payment issue and the associated high program risks and material internal control weaknesses identified by the GAO and HUD Inspector General. An initial focus of the RHIIP effort was to reach out and communicate the nature and significance of the improper payment problem to HUD's program partners, housing industry groups, and tenant advocacy groups, and to solicit their support in developing and implementing corrective actions to reduce improper payments. The RHIIP efforts focused on providing better program guidance and training to program administrators, tenant beneficiaries, and followed up with more monitoring that proper procedures were being followed by HUD staff. HUD worked with PHAs to encourage more efficient and effective verification of income by cross-checking with State wage data. A number of PHAs used this verification tool but it was cumbersome to establish and had some data limitation. HUD received new statutory authority from Congress for limited access, with privacy safeguards, to HHS' National Directory of New Hires. PHA are now able to use this data base to verify tenant incomes with appropriate releases by tenants. As a further safeguard against abuse, the verification is only possible after a person has received HUD rental assistance. HUD is evaluating the effectiveness of this new tool including the privacy safeguards. If it found effective after evaluation, it may be extended to project based verifications. Other contributing factors to this reduction included increased monitoring by Performance-Based Contract Administrators (PBCAs) in the Section 8 Project-Based Assistance Program; early impacts of the Rental Integrity Monitoring (RIM) efforts in the public housing and Housing Choice Voucher programs; promotion and initiation of improved computer matching efforts for tenant income verification; and improvements to the process for measuring the impacts of undisclosed tenant income sources.

With enactment of the Improper Payments Information Act of 2002 (IPIA), and issuance of OMB's implementation guidance for the IPIA, HUD is now required to annually set goals and report on its progress in reducing gross improper payment levels as a percentage of total program payments. In fiscal year 2006, HUD plans to limit improper payments to no more than 5 percent of total payments. In fiscal year 2007, HUD plans to limit improper payments to no more than 3 percent of total payments. To achieve these results, HUD will continue to build on earlier efforts to better assure proper payments and continue to strengthen HUD's capacity for proper oversight of the rental housing assistance programs.

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

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

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problems. With the use of technical assistance resources and targeted field office monitoring efforts, the share of public housing units that are operated by troubled agencies that meet HUD-established physical standards will increase by 1.5 percent.

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

**Efficiency Measure.** The Department had developed an efficiency measure in this program based on both the number of Capital and Operating Fund dollars compared to the number of occupied units in public housing.

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

The 2007 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For [2006] 2007 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, as amended (42 U.S.C. 1437g(e)), \$3,564,000,000 [\$3,600,000,000] of which \$9,990,000 in bonus funds shall be provided to public housing agencies that assist program participants in moving away from dependency on housing assistance programs: Provided, That of the total amount provided under this heading, \$5,940,000 shall be for technical assistance related to the transition and implementation of asset-based management in public housing: [Provided further, That of the total amount provided under this heading , the Secretary of the Department of Housing and Urban Development may, at his discretion, hold-back up to 2 percent of the operating fund formula amount to fund appeals that are filed during fiscal year 2007: *Provided, That of the total amount provided under this heading, \$8,000,000 shall be for programs, as determined appropriate by the Attorney General, which assist in the investigation, prosecution, and prevention of violent crimes and drug offenses in public and federally-assisted low-income housing, including Indian housing, which shall be administered by the Department of Justice through a reimbursable agreement with the Department of Housing and Urban Development* *Provided further, That, any such 2005 payment shall be provided in an amount sufficient to cover only the period beginning with the start of a public housing agency's fiscal year and ending on December 31, 2006: Provided further, That for fiscal year 2007 and all fiscal years thereafter, the Secretary shall provide assistance under this heading to public housing agencies on a calendar year basis:] *Provided further, That, in fiscal year [2006] 2007 and all fiscal years hereafter, no amounts under this heading in any appropriations Act may be used for payments to public housing agencies for the costs of operation and management of public housing for any year prior to the current year of such Act: Provided further, That no funds may be used under this heading for the purposes specified in section 9(k) of the United States Housing Act of 1937, as amended. (Department of Veteran Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, FY [2006] 2007)**

**Explanation of Changes**

Adds language providing \$5,940,000 for asset-based management.

Deletes reference to fiscal year 2006 and adds reference to fiscal year 2007.

Deletes 2006 appropriated amount of \$3,600,000,000 and adds 2007 requested amount of \$3,564,000,000.

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PUBLIC AND INDIAN HOUSING  
 PUBLIC HOUSING OPERATING FUND  
 CROSSWALK OF 2005 AVAILABILITY  
 (Dollars In Thousands)

<u>Budget Activity</u>	<u>2005 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2005 Resources</u>
Operating Subsidy .....	\$2,440,000	-\$20,646 <sup>b</sup>	...	...	\$3,823 <sup>a</sup>	\$2,423,177
Department of Justice .....	8,000	-64	...	...	...	7,936
Asset-Based Management Transition Fund .....	...	...	...	...	...	...
Housing Self-Sufficiency Award .....	<u>10,000</u>	<u>-80</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>9,920</u>
Total .....	2,458,000	-20,790	...	...	3,823	2,441,033

a/ Includes recaptures of \$1.223 million.

b/ Includes unobligated balance of \$1.126 million.



Public Housing Operating Fund

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

<u>Budget Activity</u>	<u>2006 President's Budget Request</u>	<u>Congressional Appropriations Action on 2006 Request</u>	<u>2006 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2006 Resources</u>
Operating Subsidy .....	\$3,397,300	\$3,600,000	-\$36,000	...	\$1,223	\$3,565,223
Department of Justice .....	...	...	...	...	...	...
Asset-Based Management Transition Fund .....	...	...	...	...	...	...
Housing Self-Sufficiency Award .....	<u>10,000</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
Total .....	3,407,300	3,600,000	-36,000	...	1,223	3,565,223