

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 FISCAL YEAR 2018 BUDGET
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**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 2016 through 2018:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<u>ACTUAL</u>	<u>ANNUALIZED CR</u>	<u>REQUEST</u>
<u>BUDGET AUTHORITY</u>			
Discretionary (Gross)	\$47,766	\$48,699	\$40,722
Offsetting Receipts	<u>(11,283)</u>	<u>(13,184)</u>	<u>(9,511)</u>
Discretionary (Net)	36,483	35,515	31,211
Mandatory (Net)	<u>12,360</u>	<u>16,029</u>	<u>8,504</u>
Total Budget Authority (Net)	48,843	51,544	39,715
<u>BUDGET OUTLAYS</u>			
Discretionary	\$39,024	\$38,248	\$41,497
Mandatory	<u>(12,636)</u>	<u>18,568</u>	<u>(623)</u>
Total Budget Outlays	26,388	56,816	40,874
<u>FULL-TIME EQUIVALENTS</u>			
FTE Staff	8,029	7,930	7,713
(includes S&E, OIG, WCF)			

NOTE: 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 2016-2018
(Dollars in Millions)**

	<u>2016</u> <u>ACTUAL</u>	<u>2017</u> <u>ANNUALIZED CR</u>	<u>2018</u> <u>REQUEST</u>
DISCRETIONARY PROGRAMS			
PUBLIC AND INDIAN HOUSING			
Tenant-Based Rental Assistance (TBRA)			
Section 8 Contract Renewals.....	\$17,681	\$17,375	\$17,584
Administrative Fees.....	1,650	1,920	1,550
Section 8 Rental Assistance (Tenant Protection Vouchers).....	130	130	60
Advanced Appropriation for FY 2016.....	[4,000]	...	...
Advanced Appropriation for FY 2017.....	[(4,000)]	[4,000]	...
Advanced Appropriation for FY 2018.....	[...]	[(4,000)]	...
Advanced Appropriation for FY 2019.....	[...]	[...]	[4,000]
Mainstream Voucher Renewals.....	107	107	107
Veterans Affairs Supportive Housing.....	60	60	7
Rental Assistance Demonstration (transfer).....	[37]	[83]	[125]
Research and Technology (transfer).....	...	...	10
Total, TBRA.....	19,628	19,592	19,318
Family Self Sufficiency Program Coordinators.....	75	75	75
Public Housing Capital Fund			
Formula Grants.....	1,825	1,821	590
Resident Opportunity and Support Services (ROSS).....	35	35	...
Emergency/Disaster Reserves.....	17	16	20
Administrative Receivership.....	1	1	...
Jobs Plus.....	15	15	10
Safety and Security.....	5	5	...
Financial and Physical Assessment Support.....	3	3	8
Rental Assistance Demonstration (transfer).....	[(19)]	[(36)]	[(64)]
Total, Public Housing Capital Fund.....	1,900	1,896	628

**BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2016-2018
(Dollars in Millions)**

	<u>2016</u> <u>ACTUAL</u>	<u>2017</u> <u>ANNUALIZED CR</u>	<u>2018</u> <u>REQUEST</u>
Choice Neighborhoods.....	125	125	...
Public Housing Operating Fund			
Operating Subsidy.....	4,500	4,491	3,900
Rental Assistance Demonstration (transfer).....	[(61)]	[(110)]	[(186)]
Total, Public Housing Operating Fund.....	4,500	4,491	3,900
Native American Housing Block Grants			
Formula Grants.....	643	642	598
Technical Assistance.....	2	2	2
National or Regional Organization.....	4	3	...
Research and Technology (transfer).....	...	[(3)]	...
Title VI Federal Guarantees for Tribal Housing Activities			
Program Account.....	(4)	1	...
Loan Guarantee Limitation.....		[18]	...
Total, Native American Housing Block Grants.....	644	648	600
Indian Housing Loan Guarantee Fund			
Program Account.....	7	7	...
Loan Guarantee Contracts.....	1	1	...
Limitation Level.....	[1,190]	[1,190]	...
Total, Indian Housing Loan Guarantee.....	8	7	...
Native Hawaiian Loan Guarantee Fund			
Limitation Level.....	[16]	[...]	[...]
Native Hawaiian Housing Block Grants.....	...	...	...
Subtotal, Public and Indian Housing.....	26,880	26,835	24,521
 COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Fund			
Entitlement/Non-entitlement.....	2,992	2,988	...
Insular Area CDBG.....	7	7	...
Indian Tribes.....	60	60	...
Disaster Assistance.....	800	1,806	...
Administration, Operation, and Management for Disasters.....	...	[2]	...
Total, CDBG.....	3,859	4,861	...

**BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2016-2018
(Dollars in Millions)**

	2016 <u>ACTUAL</u>	2017 <u>ANNUALIZED CR</u>	2018 <u>REQUEST</u>
HOME Investment Partnerships Program			
Formula Grants.....	948	946	...
Insular Areas.....	2	2	...
Total, HOME.....	950	948	...
Community Development Loan guarantees (Section 108)			
Loan Guarantee Limitation.....	[500]	[300]	...
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.....	6	6	...
Total, SHOP.....	56	56	...
Homeless Assistance Grants			
Competitive Grant Renewals (Shelter Plus Care and Supportive Housing).....	1,935	1,969	1,988
Emergency Solutions Grants.....	270	270	255
National Homeless Data Analysis Project.....	7	7	7
Youth Demonstration.....	33	...	...
Youth Technical Assistance.....	5	...	...
Total, Homeless.....	2,250	2,246	2,250
Housing Opportunities for Persons with AIDS (HOPWA)			
Formula Grants.....	302	301	297
Competitive Grants.....	34	33	33
Total, HOPWA.....	335	334	330
Rural Housing and Economic Development.....	(4)	...	...
Subtotal, Community Planning and Development.....	7,446	8,445	2,580

**BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2016-2018
(Dollars in Millions)**

	<u>2016</u> <u>ACTUAL</u>	<u>2017</u> <u>ANNUALIZED CR</u>	<u>2018</u> <u>REQUEST</u>
HOUSING PROGRAMS			
Project-Based Rental Assistance			
Section 8 Contract Renewals.....	10,109	10,111	10,466
Contract Administrators.....	215	235	285
Advanced Appropriation for FY 2016.....	[400]	...	...
Advanced Appropriation for FY 2017.....	[(400)]	[400]	[...]
Advanced Appropriation for FY 2018.....	[...]	[(400)]	[400]
Advanced Appropriation for FY 2019.....	[...]	[...]	[(400)]
Tenant Resources Network.....	3	4	...
Mod Rehab and SRO.....	293	250	...
Rental Assistance Demonstration (transfer).....	[54]	[93]	[139]
Total, Project-Based Rental Assistance.....	10,620	10,600	10,751
Housing Counseling Assistance			
Housing Counseling Assistance.....	42	42	42
Administrative Contract Services.....	5	5	5
Total, Housing Counseling Assistance.....	47	47	47
Supportive Housing for the Elderly (Section 202)			
PRAC Renewals/Amendments.....	354	354	417
Service Coordinators/Congregate Housing Service Program.....	77	75	90
Other Expenses.....	2	3	3
Total, Supportive Housing for the Elderly Housing.....	433	432	510
Housing for Persons with Disabilities (Section 811)			
PRAC/PAC Admendments/Renewal.....	149	148	119
Other Expenses.....	2	2	2
Total, Disabled Housing.....	151	150	121

**BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2016-2018
(Dollars in Millions)**

	<u>2016 ACTUAL</u>	<u>2017 ANNUALIZED CR</u>	<u>2018 REQUEST</u>
FHA Funds			
Mutual Mort. Ins. and Coop. Mgt. Housing Ins. Funds			
Management Housing Insurance (CMHI)			
Administrative Expenses.....	130	129	160
Direct Loan Limitation.....	[20]	[5]	[5]
Loan Guarantee Limitation Level.....	[400,000]	[400,000]	[400,000]
Total, MMI/CMHI.....	130	129	160
General Insurance and Special Risk Insurance Funds			
Positive Subsidy.....	(6)	...	...
Direct Loan Limitation.....	[20]	[5]	[5]
Loan Guarantee Limitation Level.....	[30,000]	[30,000]	[30,000]
Total, FHA Funds.....	124	129	160
Manufactured Housing Fees Trust Fund			
Payments to States.....	4	4	4
Contracts.....	7	7	7
Total, Manufactured Housing Standards Program.....	11	11	11
Other Assisted Housing -Rental Housing Assistance Program/Rent Supplement.....	30	30	14
Homeownership and Opportunity for People Everywhere Grants(HOPE Grants).....	(1)	...	...
Subtotal, Housing Programs.....	11,415	11,399	11,614
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Guarantees of Mortgage-Backed Securities			
GNMA - Salaries and Expenses.....	26	23	25
MBS Guarantee Limitation.....	[500,000]	[500,000]	[500,000]
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology.....	85	85	85
FAIR HOUSING & EQUAL OPPORTUNITY			
Fair Housing Initiative Program.....	39	39	39
Fair Housing Assistance Program.....	24	25	24
Fair Housing Training Academy.....	2	1	2
Total, Fair Housing Activities.....	66	65	65

**BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2016-2018
(Dollars in Millions)**

	<u>2016</u> <u>ACTUAL</u>	<u>2017</u> <u>ANNUALIZED CR</u>	<u>2018</u> <u>REQUEST</u>
OFFICE OF LEAD-BASED PAINT AND POISONING PREVENTION			
Lead-Based Paint Hazard Reduction			
Lead Hazard Control Grants.....	42	43	55
Technical Studies.....	2	2	5
Healthy Homes	20	20	25
Lead Hazard Control Demonstration Program.....	46	45	45
Total, OHHLHC.....	110	110	130
MANAGEMENT AND ADMINISTRATION			
Salaries and Expenses, HUD.....	1,310	1,361	1,326
Salaries and Expenses, OIG.....	126	126	126
Information Technology Fund.....	250	250	250
Working Capital Fund.....	53	...	...
Subtotal, Management and Administration.....	1,739	1,737	1,702
Subtotal, HUD Discretionary Budget Authority (Gross).....	47,766	48,699	40,722
Offsetting Receipts			
MMI Capital Reserve.....	(9,185)	(11,191)	(7,111)
MMI Reciepts.....	...	...	(30)
GNMA Capital Reserve.....	(1,415)	(1,243)	(1,623)
GNMA Reciepts.....	(140)	(101)	(116)
FHA (GI/SRI Negative Subsidy).....	(531)	(638)	(619)
Manufactured Housing Fees Trust.....	(12)	(11)	(12)
Total receipts.....	(11,283)	(13,184)	(9,511)
Total, HUD Discretionary Budget Authority (Net).....	36,483	35,515	31,211

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2016-2018
(Dollars in Millions)

	<u>2016</u> <u>ACTUAL</u>	<u>2017</u> <u>ANNUALIZED CR</u>	<u>2018</u> <u>REQUEST</u>
MANDATORY PROGRAMS			
Indian Housing Loan Guarantee Fund.....	33	7	...
Native American Housing Block Grants.....	4	4	...
Community Development Loan Guarantee Program Account.....	...	1	...
FHA General and Special Risk Program Account.....	3,282	4,318	...
FHA General and Special Risk Liquidating Account.....	25	25	25
FHA Mutual Mortgage Insurance Capital Reserve Account.....	9,185	11,191	7,111
Housing for the Elderly or Handicapped Fund Liquidating Account.....	...	(297)	(253)
Guarantees of Mortgage-backed Securities Capital Reserve.....	1,415	1,243	1,623
Housing Trust Fund.....	174	219	15
Subtotal, Gross Mandatory Budget Authority.....	14,118	16,711	8,521
Mandatory Receipts.....	(1,758)	(682)	(17)
Total, Net Mandatory Budget Authority.....	12,360	16,029	8,504
Total, Net HUD Budget Authority.....	48,843	51,544	39,715

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2016-2018
(Dollars in Millions)**

	<u>2016</u> <u>ACTUAL</u>	<u>2017</u> <u>ANNUALIZED CR</u>	<u>2018</u> <u>ESTIMATE</u>
DISCRETIONARY PROGRAMS			
PUBLIC AND INDIAN HOUSING			
Tenant-Based Rental Assistance.....	19,375	19,960	19,825
Housing Certificate Fund.....	188	219	152
Public Housing Capital Fund.....	2,116	1,819	1,791
Public Housing Operating Fund.....	4,386	4,377	3,894
Choice Neighborhoods.....	40	117	149
Revitalization of Severely Distressed Public Hsg Projects.....	72	101	5
Family Self-Sufficiency.....	78	75	73
Native American Housing Block Grants.....	747	653	610
Native Hawaiian Housing Block Grants.....	12	4	5
Indian Housing Loan Guarantee Fund.....	6	5	4
Subtotal, Public and Indian Housing.....	27,020	27,330	26,508
COMMUNITY PLANNING AND DEVELOPMENT			
Housing Opportunities for Persons with AIDS (HOPWA).....	348	351	331
Community Development Fund.....	6,013	6,554	6,819
HOME Investment Partnerships Program.....	1,154	969	949
Self-Help Homeownership Opportunity/Habitat.....	54	50	48
Homeless Assistance Grants.....	1,886	2,124	2,267
Community Development Loan Guarantees.....	3	4	3
Permanent Supportive Housing.....	4	3	2
Brownfields Redevelopment Program.....	3	4	3
Rural Housing and Economic Development.....	1	2	2
Subtotal, Community Planning and Development.....	9,466	10,061	10,424
HOUSING PROGRAMS			
Project-Based Rental Assistance.....	10,667	10,764	10,941
Housing for the Elderly (Section 202).....	721	694	661
Housing for Persons with Disabilities (Section 811).....	171	185	175
Housing Counseling Assistance.....	37	43	44
Other Assisted Housing.....	217	175	133
Flexible Subsidy.....	(53)	(46)	(46)

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2016-2018
(Dollars in Millions)**

	<u>2016</u> <u>ACTUAL</u>	<u>2017</u> <u>ANNUALIZED CR</u>	<u>2018</u> <u>ESTIMATE</u>
FHA Funds:			
Mutual Mortgage Ins. and Coop. Management Housing Ins. Funds:			
Program Account.....	104	123	103
General Insurance and Special Risk Insurance Funds:			
Program Account.....	...	...	...
Subtotal, FHA Funds.....	104	123	103
Manufactured Housing Fees Trust Fund.....	12	12	12
Energy Innovation Fund.....	4	...	...
Subtotal, Housing Programs.....	11,880	11,950	12,023
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology.....	62	64	68
FAIR HOUSING & EQUAL OPPORTUNITY			
Fair Housing Activities.....	63	66	67
LEAD HAZARD CONTROL			
Lead Hazard Reduction.....	95	101	101
MANAGEMENT AND ADMINISTRATION			
Salaries and Expenses, HUD.....	1,257	1,440	1,334
Salaries and Expenses, OIG.....	127	123	126
Information Technology Fund.....	230	249	280
Working Capital Fund.....	43	...	...
Subtotal, Management and Administration.....	1,657	1,812	1,740
HUD Transformation Initiatives.....	39	23	19
Subtotal, HUD Discretionary Outlays (Gross).....	50,282	51,407	50,950
Deductions for Offsetting Receipts (Discretionary).....	(543)	(649)	(631)
Reclassification of MMI Receipts.....	(9,185)	(11,191)	(7,111)
GNMA Program Account.....	(115)	(76)	(88)
GNMA Receipts.....	(1,415)	(1,243)	(1,623)
Total, HUD Discretionary Outlays (Net).....	39,024	38,248	41,497

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BUDGET OUTLAYS BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2016-2018
(Dollars in Millions)**

	<u>2016</u> <u>ACTUAL</u>	<u>2017</u> <u>ANNUALIZED CR</u>	<u>2018</u> <u>ESTIMATE</u>
MANDATORY PROGRAMS			
Indian Housing Loan Guarantee Fund.....	33	7	...
Native American Housing Block Grants.....	4	4	...
Community Development Loan Guarantees.....	...	1	...
Neighborhood Stabilization Program.....	32	99	71
Revolving Fund.....	...	1	1
Housing Trust Fund.....	...	18	65
FHA MMI Program Account.....	3,508	18,691	...
FHA MMI Liquidating.....	9	10	10
FHA MMI Capital Reserve Account.....	(15,567)	(1,842)	(198)
FHA GI/SRI Program.....	3,282	4,318	...
FHA GI/SRI Funds Liquidating.....	(194)	(119)	(180)
Home Ownership Preservation Equity Fund Program Account.....	(1)	...	...
Emergency Homeowners' Relief Fund.....	1	1	1
Rental Housing Assistance Fund.....	(2)	(2)	(2)
Housing for the Elderly or Handicapped Fund Liquidating Account.....	(352)	(294)	(250)
Guarantees of Mortgage-Backed Securities.....	190	100	100
Guarantees of Mortgage-Backed Securities Liquidating Account.....	(1)	1	1
Guarantees of Mortgage-Backed Securities Capital Reserve Account.....	(1,820)	(1,744)	(225)
Subtotal, HUD Mandatory Outlays (Gross).....	(10,878)	19,250	(606)
Deductions for Offsetting Receipts (Mandatory).....	(1,758)	(682)	(17)
Total, HUD Mandatory Outlays (Net).....	(12,636)	18,568	(623)
Total, HUD Outlays.....	26,388	56,816	40,874

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

	<u>2016 Actual</u>	<u>2017 Annualized CR</u>	<u>2018 Request</u>	<u>Increase (+) Decrease (-) 2018 vs 2017</u>
Salaries and Expenses, HUD.....	7,286.1	7,202.8	6,998.4	-204.4
<u>Other Funds:</u>				
GNMA.....	132.6	134.4	141.9	7.5
Office of Inspector General.....	<u>610.0</u>	<u>593.0</u>	<u>573.0</u>	<u>-20.0</u>
Subtotal, Other Funds.....	742.6	727.4	714.9	-12.5
Total, HUD Full-Time Equivalent Staff.....	8,028.7	7,930.2	7,713.3	-216.9

Rental Reform

The Budget provides over \$35.2 billion for the Department's rental assistance programs, including proposals that serve as an initial step toward a comprehensive rental reform initiative and legislative package next year.

Changes are needed to HUD's rental assistance programs to provide a sustainable means to help those in greatest need and create the right incentives for work-able families to improve their earnings and economic standing. As currently structured, funding for rental assistance represents an overwhelming part of HUD's budget and continues to grow. The rental assistance programs generally comprise about 80 percent of HUD's total funding. Due to rent and utility inflation, the cost to assist roughly the same number of households increases each year and, without changes, will require more and more Federal resources over time. The Federal government must begin reforms now to address these costs while still supporting currently assisted families.

To begin the process of moving HUD's rental assistance portfolio to firm ground, the Administration needs partners in Congress, Public Housing Agencies (PHAs), local governments, non-profits, and the private sector to assist in crafting permanent and lasting solutions. The affordable housing shortage in this country continues to present difficult choices to families. HUD must be part of the solution, but that solution must also empower partners in local governments to find solutions that work on the local level. It must leverage HUD dollars with the public and private sector to get the most bang for each buck.

For 2019, HUD plans to present a comprehensive rental reform proposal that will re-examine how HUD provides rental assistance and propose a way forward that is sustainable in the long term, including rent reforms that provide a path for work-able families to move toward self-sufficiency.

This budget is a down payment on this proposal, beginning the necessary reforms for HUD programs. This budget reflects the following principles:

- *Operating efficiently without displacing families:* HUD seeks to ensure that there is no waste, and each dollar used is needed by the families that currently count on HUD to remain in their homes.
- *Right sizing the federal role in housing:* Housing is a partnership between the federal government, state and local governments, local PHAs, non-profit and for-profit businesses. The federal government wants to support and empower these local entities to solve their housing problems in a way appropriate to the needs, values, and priorities of the communities that they serve. HUD should not force "one size fits all" solutions on communities.
- *Rolling out reforms in a responsible manner:* The changes proposed to rental assistance in both this budget and the upcoming rental reform proposal will have impacts in communities across the country. HUD believes these changes can and must be managed effectively to prevent displacement of current residents, disruptions for property owners, and difficulties in reporting and tracking HUD assistance.

Rental Reform

For 2018, the Budget proposes a set of policies in its core rental assistance programs to reduce costs while at the same time continuing to assist current residents, encouraging work, and promoting self-sufficiency. They also seek to provide administrative flexibilities and to streamline the complex and administratively burdensome calculation of income and rent. These policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms for 2019. Changes to rental assistance programs included in the 2018 President's Budget include:

- An increase in the tenant contribution toward rent from 30 percent of adjusted income to up to 35 percent of gross income (i.e., income adjusted by exclusions but not deductions). Hardship exemptions, as defined by the Secretary, will be available for tenants. Note: The Department will implement this provision as a pilot in PBRA, 202, and 811 in 2018; it does not plan to implement this in the Public Housing or HCV programs in 2018.
- Establishing minimum tenant rental payments of \$50 per month, with hardship exemptions.
- Elimination of utility reimbursement payments to tenants, sometime referred to as "negative rents." These payments have occurred when tenant-paid utility costs exceeded the minimum rent due. Hardship exemptions, as defined by the Secretary, will be available for tenants.
- For PBRA/202/811: A one-year freeze on annual rent adjustment increases, which may include those made using an annual operating cost adjustment factor, annual adjustment factor, budget based rent increase, or updated market rent study.
- For TBRA and public housing: Expanded waiver authority for statutory or regulatory provisions related to public housing agency (PHA) administrative, planning, and reporting requirements, energy audits, income recertification, and program assessments.

These changes will result in increased rents for many HUD-supported residents, and HUD recognizes that this will present difficulties for many families. All of these changes are accompanied by hardship exemptions that allow the Secretary to implement them in ways that take into account the difficult situations faced by some supported families. However, without these changes, the cost growth of these programs may be unsustainable in the long term.

Many of these changes are also designed to reduce administrative burdens on PHAs, freeing them to devote more resources to working on behalf of their residents rather than bureaucratic requirements and to assisting families as they move to self-sufficiency. HUD pledges to continue working with PHAs throughout the country, encouraging them to find creative ways to support vulnerable individuals and families; partner with local governments, non-profits, and businesses; and increase opportunities for all members of the community.

The Department looks forward to working with its stakeholders and Congress to find ways to reform these important programs to support those in need while ensuring that they are sustainable in the long term.

RENTAL ASSISTANCE DEMONSTRATION PROGRAM

The main goal of the Rental Assistance Demonstration is the 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). This conversion allows PHAs and owners to leverage private debt and equity to address their properties' immediate and long-term capital needs. As of May 2017, PHAs have converted more than 61,000 public housing units and have leveraged \$4 billion in construction investments to improve, replace, and preserve these properties. Meanwhile, 197 Rent Supplement (RS), Rental Assistance Payments (RAP), Moderate Rehabilitation (MR) and Moderate Rehabilitation Single-Room Occupancy (MR SRO) projects with over 23,000 units¹ have been preserved through conversion. In light of the success of the program, this budget includes various proposals, described at the end of this document, which would expand the number of cost-neutral public housing conversions that could occur under RAD; building on the success of RAD and permitting the cost-neutral conversion of the 121,000 units supported by year-to-year Section 202 Project-Rental Assistance Contract (202 PRACS), and ensuring that tenants' rights are protected and the public interest is preserved. If enacted, HUD could preserve substantially more units without increased federal outlays, which would preserve and improve affordable housing for low-income households and create thousands of new jobs.

The Consolidated and Further Continuing Appropriations Act of 2012 (P.L. 112-55), as amended, authorized RAD to test new preservation tools for HUD-assisted housing stock at risk of being lost from the nation's affordable housing inventory. RAD currently allows the following types of assisted properties to convert to long-term Section 8 rental assistance contracts (project-based vouchers (PBVs) or Project-Based Rental Assistance (PBRA)):

1. Public Housing properties, capped at 225,000 units and with rents limited to existing subsidy amounts. The 1.1 million units in the Public Housing program have a documented capital needs backlog of nearly \$26 billion and are largely inhibited from accessing non-federal sources to help to address this need. As a result, the public housing inventory had been losing an average of 10,000 units annually through demolitions or dispositions; and
2. RS, RAP, MR, and MR SRO properties, upon contract expiration or termination. The units currently assisted under the MR, MR SRO, RS, and RAP programs are ineligible to renew their contracts on terms that favor private financing and long-term preservation.

By offering a long-term contract tied to a regulatory structure that facilitates partnerships with other forms of private and public financing, RAD achieves the following goals:

¹ In addition to units receiving RS or RAP rental assistance at the time of conversion, this number includes unassisted units at a project that are eligible for Tenant Protection Vouchers at the time of prepayment and are included on the project-based HAP.

Rental Assistance Demonstration Program

1. Promotes local public-private development activity with access to safe, proven tools to leverage private capital, while ensuring an ongoing public interest in the properties;
2. Recapitalizes the HUD-assisted housing portfolio to ensure its long-term stability and affordability, without the need of increased appropriations;
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.

Funding Conversions

Public housing units that converted through 2016 are reflected in the fiscal year 2018 Project-Based Rental Assistance (PBRA) and Tenant-Based Rental Assistance (TBRA) budget requests for renewals.

Public housing units that may convert in 2017 are still reflected in the fiscal year 2018 funding requests for the Public Housing Operating Fund and Capital Fund. In fiscal year 2018, once it is known how many units converted to PBRA and PBV in 2017, respectively, HUD will transfer corresponding funds from the Public Housing Operating Fund and Capital Fund into PBRA and TBRA. Authority to execute this transfer is provided within Public Law 112-55.

Below is a chart of public housing conversions in progress for 2017. HUD is still working with PHAs to determine 2018 conversions.

Section 8 Type	Units Converted	Transferred from Operating Fund	Transferred from Capital Fund
Transfer to PBRA	12,016	\$47,601,919	\$14,910,461
Transfer to TBRA	14,080	\$62,043,681	\$21,244,462
TOTAL	26,096	\$109,654,600	\$36,154,923

Under the second component, conversions to PBV are funded by the Tenant Protection Voucher funding HUD provides at contract expiration or termination. For PBRA conversions, MR conversions are funded by appropriations that are already made for MR and MR SRO properties into the PBRA account. RS and RAP conversions are funded by transfers to the PBRA account from budget authority recaptured from expired or terminated RS or RAP contracts; contract authority recaptured from contracts converting to RAD, which may be re-appropriated as budget authority; unobligated balances and new appropriations for amendments or extensions in the "Other Assisted Housing" account; and/or TPV funding that would have otherwise been issued for the project at expiration or termination.

Rental Assistance Demonstration Program

Preservation Challenges

The Public Housing program provides much-needed affordable housing to about 1.1 million low-income households, many of whom are elderly, disabled, and veterans at risk of homelessness without this resource. Unlike other forms of assisted housing that serve very similar populations, the public housing stock is nearly fully reliant on federal appropriations from the Public Housing Capital Fund to make capital repairs. Funding and regulatory constraints have impaired the ability for these local and state PHAs to keep up with needed maintenance. As a result, a very large capital needs backlog has accumulated, and between 1995 and 2013, when RAD began, the public housing program would lose in net 10,000 units per year.

In addition to the public housing stock, RAD targets certain “at-risk” HUD legacy programs. Without RAD, the properties assisted under MR and MR SRO contracts are limited to short-term renewals and constrained rent levels that inhibit recapitalization. Finally, without RAD, the properties assisted under RS and RAP contracts would have no ability to retain long-term project-based assistance beyond the current contract term, threatening their ongoing affordability as their contracts expire.

As of May 2017, with more than 60,000 units converted, PHAs and their partners have raised over \$4 billion to improve and preserve public housing assets and properties with formerly public housing RAD units, and have begun to make regular deposits into an ongoing “replacement reserve” account to ensure that repair and replacement needs that arise in the future are funded. The construction and related activity have stimulated an estimated 75,000 jobs. HUD has made awards to public housing properties up to the originally authorized cap of 185,000 units. The Consolidated Appropriations Act, 2017 gave HUD the authorization to make awards to an additional 40,000 units, but a waiting list will remain and HUD expects ongoing interest and participation from additional PHAs. This is a strong demonstration of the model and how substantial amounts of capital can be accessed.

Meanwhile, the Department is working to convert the final RS and RAP properties that will otherwise expire or be terminated, as well as ramp up the conversion of the MR and MR SRO stocks.

Finally, to ensure that the program is achieving the desired results, RAD also includes an ongoing evaluation component, which will assess, across different markets and geographic areas and within portfolios managed by PHAs of varying sizes, the following research areas:

- Conversion impact on properties’ physical and financial stability;
- Amount and types of capital leveraged; and
- Affected residents’ access to residential mobility.

Rental Assistance Demonstration Program

Proposals in the Budget

Below are the proposals included in the 2018 request (Section 219 of General Provisions):

- Eliminating the 225,000 unit cap on public housing projects authorized to 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;
- Ensuring a tenant's right to continued occupancy under the second component.

**PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

TENANT-BASED RENTAL ASSISTANCE	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$19,628,525	\$302,195 ^{a/}	...	\$19,930,720	\$19,633,638	\$19,375,263
2017 Annualized CR	19,628,525	380,082 ^{b/}	-\$37,314 ^{c/}	19,971,293	19,971,293	19,960,000
2018 Request	<u>19,317,900</u>	<u>125,000^d</u>	...	<u>19,442,900</u>	<u>19,442,900</u>	<u>19,825,000</u>
Change from 2017	-310,625	-255,082	+37,314	-528,393	-528,393	-135,000

a/ Includes \$15.5 million in recaptured funds and \$36.8 million transferred from the Public Housing Operating Fund and Capital Fund for the purpose of Rental Assistance Demonstration (RAD) conversions.

b/ Includes \$83 million transferred from the Public Housing Operating Fund and Capital Fund for the purpose of Rental Assistance Demonstration (RAD) conversions.

c/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

d/ Includes an estimated \$125 million transfer from the Public Housing Operating Fund and Capital Fund for the purpose of Rental Assistance Demonstration (RAD) conversions.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The fiscal year 2018 President’s Budget of \$19.318 billion for the Section 8 Housing Choice Voucher (HCV) program, is \$310.6 million less than the fiscal year 2017 Annualized CR level. The funding request reflects a set of policies, described further below, that reduce costs while continuing to assist current residents; these policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms. With implementation of these cost-saving policies, the requested funding level will provide 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, 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

Tenant-Based Rental Assistance

- Maximizing the federal investment and the number of families assisted through HUD's rental housing assistance programs through comprehensive monitoring of 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 HCV program currently provides rental assistance to about 2.2 million families. 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: 2015 Report to Congress* reveals that among very low-income renter households that lacked assistance, 7.7 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. From 2003-2013, worst case needs have increased by 49 percent as public-sector housing assistance and private-sector housing development have substantially failed to keep up with the growing demand for affordable rental housing. Many families assisted by the 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: \$17.584 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 special purpose vouchers such as HUD-VASH, Tribal HUD-VASH, and the Family Unification Program.
- 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: \$60 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 redevelopment, and when private owners of multifamily developments choose to leave the project-based program or convert to long term Section 8 contracts.
- 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: \$7 million for renewals or issuance of vouchers (and associated administrative costs) under the Tribal HUD-VASH demonstration program authorized by the Consolidated and Further Continuing Appropriations Act, 2015 (Public Law 113-235). This demonstration program provides rental assistance and supportive housing for Native American veterans that are homeless or at risk of homelessness and living on or near a reservation or other designated tribal areas.

Tenant-Based Rental Assistance

- PHA IT Modernization: \$10 million for the modernization of PHA information technology systems used for program administration, and related expenses. Of this amount, \$5 million may be transferred to the “Public Housing Capital Fund” for this purpose.

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 all 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.

Tenant-Based Rental Assistance

HUD continues its concerted effort to ensure that the program operates efficiently and effectively, in addition to providing enough local flexibilities that allow PHAs to tailor the program to work better in their communities. In most housing markets, rents have been rising faster than incomes during the last few years, which raises the HCV program's per unit costs (what it costs, on average, to assist one family). Naturally, increases in per unit costs result in a need for increased program funding in order to continue providing the same level of assistance to the same overall number of families. Without significant reforms, these cost increases may ultimately prove to be unsustainable in a fiscally constrained environment. Not only do they pose challenges to the future viability of the HCV program, but – if increased funding to the HCV program were to lead to decreased funding for other HUD programs – they could also threaten other HUD initiatives. The Department is consequently re-examining the program's regulations and policies, both to simplify the program 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 in its core rental assistance programs that will reduce costs while continuing to assist current residents, encouraging work, and promoting self-sufficiency. The changes described below will help ensure that all assisted families are making a modest minimum contribution for their housing costs. These proposals will also provide administrative flexibilities and streamline the complex and administratively burdensome calculation of income and rent. Changes that are proposed for multiple rental assistance programs in the 2018 President's Budget, including the HCV program, include:

- An increase in the tenant contribution toward rent from 30 percent of adjusted income to 35 percent of gross income (i.e., income adjusted by exclusions but not deductions). The Department does not plan to implement this provision in the HCV or Public Housing programs in 2018, but nonetheless requests authority for this change across core rental assistance programs. The Department will implement this provision as a pilot in PBRA, 202, and 811 in 2018. Hardship exemptions, as defined by the Secretary, will be available for tenants.
- Establishing minimum tenant rental payments of \$50 per month, with hardship exemptions. Making at least \$50 in monthly rent mandatory for participating families largely impacts non-elderly/non-disabled households, and clearly communicates that everyone is expected to pay some rent for their housing.
- Elimination of utility reimbursement payments to tenants. These payments have occurred when the utility allowances provided to cover tenant-paid utility costs exceeded the minimum rent contribution due from the family. (The Department will continue to reduce tenant rent contributions by the amount of utility allowances with a maximum reduction equal to the minimum rent due.) Hardship exemptions, as defined by the Secretary, will be available for tenants.
- 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, including decreasing maximum rent subsidies and achieving administrative efficiencies.

Tenant-Based Rental Assistance

In addition to the cross-rental program cost savings proposals, the HCV program will no longer provide higher payments for enhanced vouchers. This change will apply the same cost limitation on the maximum subsidy that may be paid under the voucher program to enhanced vouchers in order to control program costs; however, the tenant rent limitation will be waived so that families will not be required to relocate as a result of this change.

These proposals represent the first step of a much broader, more comprehensive rent reform effort that will be presented in a forthcoming legislative proposal. In the interim, managing this transition is critical, and HUD recognizes that major reform can be challenging, both for program participants and the PHAs. 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 while HUD seeks permanent statutory reform. 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, 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. The budget request also includes \$10 million to modernize PHA IT systems used for program administration in order to help PHAs implement the proposed changes. 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).
- Raising Brooke amendment maximum rents (Sec. 226). Note: The Department does not plan to implement this provision in the Public Housing or HCV programs in 2018, but it will implement this provision as a pilot in PBRA, 202, and 811 in 2018.
- Raising minimum rents to \$50 (Sec. 227).
- Eliminating utility allowance reimbursements, (Sec. 228).
- Tenant-Based Rental Assistance flexibilities (Sec. 231).
- Eliminating higher payments for enhanced vouchers (Sec. 232).

Tenant-Based Rental Assistance

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Contract Renewals	\$17,681,451	\$49,149	\$17,730,600	\$17,657,970	\$17,647,839	\$72,630	\$17,720,469	\$17,583,826
Administrative Fees ...	1,650,000	118,393	1,768,393	1,692,697	1,646,863	75,696	1,722,559	1,550,000
Section 8 Rental Assistance	130,000	70,990	200,990	85,960	129,753	115,030	244,783	60,000
FSS Coordinators .....	...	536	536	536	...	...	...	...
Veterans Affairs Supportive Housing (VASH) Program	60,000	12,914	72,914	50,865	59,886	22,049	81,935	...
Tribal HUD-VASH .....	...	...	...	...	...	...	...	7,000
Section 811 Mainstream Renewals	107,074	11,050	118,124	108,041	106,870	10,083	116,953	107,074
Rental Assistance Demonstration .....	...	39,163	39,163	37,569	...	84,594	84,594	...
PHA IT System Modernization .....	...	...	...	...	...	...	...	10,000
Total	19,628,525	302,195	19,930,720	19,633,638	19,591,211	380,082	19,971,293	19,317,900

Tenant-Based Rental Assistance

PUBLIC AND INDIAN HOUSING TENANT-BASED RENTAL ASSISTANCE Appropriations Language

The fiscal year 2018 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, \$15,317,900,000, to remain available until September 30, 2020, shall be available on October 1, 2017 (in addition to the \$4,000,000,000 previously appropriated under this heading that shall be available on October 1, 2017), and \$4,000,000,000, to remain available until September 30, 2021, shall be available on October 1, 2018: Provided, That the amounts made available under this heading are provided as follows:

(1) \$17,583,826,000 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 2018 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 none of the funds provided under this paragraph may be used to fund a total number of unit months under lease which exceeds a public housing agency's authorized level of units under contract, except for public housing agencies participating in the MTW demonstration, which are instead governed by the terms and conditions of their MTW agreements: 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, 2018: 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 2018 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 2017 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 2018 MTW funding allocation: Provided further, That the

Tenant-Based Rental Assistance

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 up to \$75,000,000 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; and (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: Provided further, That the Secretary shall allocate amounts under the previous proviso based on need, as determined by the Secretary;

(2) \$60,000,000 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, 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 \$10,000,000 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, Veterans Affairs Supportive Housing vouchers, and other special purpose incremental vouchers: Provided, That no less than \$1,540,000 of the amount provided in this paragraph shall be allocated to public housing agencies for the calendar year 2018 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

Tenant-Based Rental Assistance

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 from prior fiscal years, excluding special purpose vouchers, notwithstanding the purposes for which such amounts were appropriated: Provided further, That all 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 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) \$107,074,000 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) \$7,000,000 shall be for renewal grants, including rental assistance and associated administrative fees for Tribal HUD-VA Supportive Housing to serve Native American veterans that are homeless or at-risk of homelessness living on or near a reservation or 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 title II of division K of the Consolidated and Further Continuing Appropriations Act, 2015 (Public Law 113-235, 128 Stat, 2733): 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 renewal 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 HUDVASH program, 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 stands, 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) \$10,000,000 shall be available to support modernization of public housing agency (PHA) information technology systems with respect to administration of program data and funding provided under this heading, including related expenses; Provided, That the Secretary may transfer up to \$5,000,000 of the amounts provided under this paragraph to the "Public Housing Capital Fund" heading under this title to

Tenant-Based Rental Assistance

*support modernization of PHA information technology systems with respect to administration of program data and funding under such heading, including related expenses; and
(7) the Secretary shall separately track all special purpose vouchers funded under this heading.*

Note.—A full-year 2017 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, 2017 (P.L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

**PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

HOUSING CERTIFICATE FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$263,533	...	\$263,533 ^a	\$43,630	\$188,000
2017 Annualized CR	206,499	...	206,499 ^b	94,000	219,903
2018 Request	<u>142,499</u>	...	<u>142,499^c</u>	<u>142,999</u>	<u>152,000</u>
Change from 2017	-64,000	...	-64,000	+48,999	-67,903

a/ Resources include carryover of \$211.9 million, and recaptures of \$51.6 million realized in fiscal year 2016.

b/ Resources shown assume \$219 million in carryover, after adding \$16 million in anticipated recoveries in 2017, and subtracting \$29.1 million from source year 1974 or prior that will be cancelled.

c/ Resources shown assume \$112 million in carryover, after adding \$30 million in anticipated recoveries.

1. Program Purpose and Fiscal Year 2018 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 BA 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.

Housing Certificate Fund

- Any undisbursed funds remaining on contracts at termination are recaptured and are either cancelled or re-appropriated (dependent on the source year¹). Eligible uses of recaptures include PBRA renewals, amendments, and administrative fees for multifamily housing programs. In fiscal year 2018, HCF recaptures are expected to provide a key source of supplemental funding for performance-based contract administrators (PBCAs), whose function is detailed in the Project-Based Rental Assistance account.

2. Request

No new additional budget authority is requested for this account. 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 outright. HUD anticipates recaptures of \$30 million for fiscal year 2018, all of which will be re-appropriated. These recaptures, along with funds remaining from prior year HCF recoveries, are anticipated to support PBCA contracts 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.

¹ Prior to and including 1974, HCF received contract authority (CA); between 1975 and 1987, HCF was appropriated both CA and budget authority (BA). It is for this reason the recaptures are handled differently depending on their source year.

Housing Certificate Fund

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Contract Renewals	\$92,741	\$92,741	\$43,630	...	\$57,557	\$57,557	...
Contract Administrators	...	170,792	170,792	...	...	148,942	148,942	...
Section 8 Amendments
Administrative Fees
Total	263,533	263,533	43,630	...	206,499	206,499	...

NOTES:

For fiscal year 2016, Total Resources include carryover of \$211.9 million, and recaptures of \$51.6 million realized in fiscal year 2016.

For fiscal year 2017, Total Resources include \$16 million in anticipated recoveries, and \$29.1 million from source year 1974 or prior that will be cancelled.

For fiscal year 2018, includes \$30 million in anticipated recoveries.

**PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Appropriations Language**

The fiscal year 2018 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 2018 and prior years may be used for renewal of or amendments to section 8 project-based contracts and for performance-based contract administrators, 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 2017 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, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

PUBLIC HOUSING CAPITAL FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$1,900,000	\$82,765	...	\$1,982,765 ^a	\$1,908,143	\$2,116,285
2017 Annualized CR	1,900,000	39,652	-\$3,612 ^b	1,936,040 ^c	1,935,000	1,819,000
2018 Request	<u>628,000</u>	<u>-64,000</u>	...	<u>564,000^d</u>	<u>564,000</u>	<u>1,791,000</u>
Change from 2017	-1,272,000	-103,652	+3,612	-1,372,040	-1,371,000	-28,000

a/ Total resources and obligations for fiscal year 2016 include \$18.9 million transferred from the Public Housing Capital fund for subsidy payments for units converting under the Rental Assistance Demonstration and \$7 million in recaptures realized in fiscal year 2015; excludes \$1.8 million from the Department of Justice for the Juvenile Reentry Legal Assistance Program.

b/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

c/ Total resources and obligations for fiscal year 2017 includes an estimated transfer of \$36 million for the implementation of RAD.

d/ Total resources and obligations for fiscal year 2018 includes an estimated \$64 million to be transferred for the implementation of RAD.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The fiscal year 2018 President’s Budget request of \$628 million is \$1.268 million less than the fiscal year 2017 Annualized CR level. This request provides funding to public housing authorities (PHAs) to address the most acute needs for capital repairs and replacements in public housing developments. The funding request reflects a set of policies, described further below, that reduce costs while continuing to assist current residents; these policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms.

2. Request

As authorized by Section 9 of the United States Housing Act of 1937, the Public Housing Capital Fund provides formula-driven grants to more than 3,000 PHAs to address capital needs in 1.1 million public housing units, which serve low-income families including elderly and disabled families and families with children. These funds cover the costs of repairs and replacements beyond ordinary maintenance that are required to make the housing safe, decent and economically sustainable.

The local independent agencies that administer public housing have the flexibility to spend Capital Funds to address local priorities, in consultation with residents and members of the community. Examples of eligible expenses include replacing roofs and heating

Public Housing Capital Fund

systems, implementing energy saving measures, installing security cameras and equipment, and controlling lead and environmental hazards.

The fiscal year 2018 request of \$628 million includes funding for the following activities:

- Approximately \$600 million for formula-based Capital Modernization grants;
- Up to \$20 million for Emergency and Natural Disaster Reserve;
- Up to \$8.3 million for Financial and Physical Assessment Support; and
- Up to \$10 million for the Jobs-Plus Initiative, subject to the availability of funds.

3. Justification

This budget proposal recognizes that public housing is a partnership between Federal, State, and local governments. The Capital Fund remains essential to improving and sustaining the quality of the public housing stock, but PHAs must leverage outside public and private investment in addition to federal funds to meet the capital repair and modernization needs of the properties. This proposal intends to make public housing more sustainable in the long term and provide flexibilities to HUD's partners allowing them to use funds in a way best suited to address local needs.

In addition, HUD encourages PHAs to partner with the private sector in addressing community and economic development needs. One of the programs designed to leverage funds is the Capital Fund Financing Program (CFFP). HUD has approved approximately 192 transactions involving 247 PHAs through the CFFP, whereby a portion of Capital Fund formula grants can be used to pay for existing PHA debt. The total amount of loan and bond financing approved to date is approximately \$4.5 billion. Since its inception, the CFFP has evolved so that it is also utilized to obtain Low-Income Housing Tax Credits, with approximately \$2.5 billion worth of such tax credits leveraged. State, local, and other private funds could be leveraged in a similar fashion.

HUD will continue the conversion of some Public Housing to long-term Section 8 contracts under the Rental Assistance Demonstration (RAD) program. Although RAD does not receive appropriated funds, rent levels and initial funding for the Section 8 contracts are dependent on public housing funding levels. While the 2018 Operating Fund level may slow the pace of conversions, many existing awardees will still be able to convert and undertake property improvements. Interested PHAs will need to evaluate the effect of conversions in a reduced funding environment on any remaining public housing stock.

In addition to \$600 million in funding for formula-based grants, the fiscal year 2018 request includes up to \$20 million to fund the Emergency and Natural Disaster Reserve, up to \$8.3 million for Financial and Physical Assessment Support, and up to \$10 million for the Jobs-Plus Initiative as described below. The request includes, as provided in the General Provisions, that any available unobligated funds under the Choice Neighborhoods and Hope VI programs be utilized to support rehabilitation needs in the Capital Fund Program.

Public Housing Capital Fund

Emergency and Natural Disaster Reserve

The request includes up to \$20 million for grants to PHAs for capital needs arising from emergency situations or non-Presidentially declared natural disasters. PHAs whose properties suffer damage because of Presidentially declared natural disasters are eligible to receive funding from the Federal Emergency Management Agency 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.

Financial and Physical Assessment Support

The request includes up to \$8.3 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 Jobs-Plus from any available unobligated balances including recaptures and carryover.

Cross-cutting Rent Reform Proposals

The Budget proposes a set of policies in its core rental assistance programs to reduce costs while at the same time continuing to assist current residents, encouraging work, and promoting self-sufficiency. They also seek to provide administrative flexibilities and to streamline the complex and administratively burdensome calculation of income and rent. These policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms for 2019. Changes to rental assistance programs included in the 2018 President's Budget include:

- An increase in the tenant contribution toward rent from 30 percent of adjusted income to 35 percent of gross income (i.e., income adjusted by exclusions but not deductions). Hardship exemptions, as defined by the Secretary, will be available for tenants. Note: The Department will implement this provision as a pilot in PBRA, 202, and 811 in 2018; it does not plan to implement this in the Public Housing or HCV programs in 2018.
- Establishing minimum tenant rental payments of \$50 per month, with hardship exemptions.
- Elimination of utility reimbursement payments to tenants, sometime referred to as "negative rents." These payments have occurred when tenant-paid utility costs exceeded the minimum rent due. Hardship exemptions, as defined by the Secretary, will be available for tenants.

Public Housing Capital Fund

- Expanded waiver authority for statutory or regulatory provisions related to public housing agency (PHA) administrative, planning, and reporting requirements, energy audits, income recertification, and program assessments.

Regulatory Reforms and Programmatic Improvements

For PHAs to continue to serve the families housed in public housing, HUD must provide additional flexibilities. 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 public housing program provide additional flexibility for PHAs to be able to manage their limited resources more efficiently and effectively. For fiscal year 2018, HUD proposes to seek authority for the following programmatic changes:

- 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 within each jurisdiction 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 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 using fiscal year 2018 and previous years funding, including the use of existing Operating Reserves for capital improvements. This flexibility would enable PHAs to focus scarce resources on local priorities without being constrained by the statutory limitations of each fund.

General Provisions

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

- Election of the Secretary not to enforce Physical Needs Assessment (Sec. 215).
- Raising rent contributions to 35 percent of gross rents (Sec. 226).
- Instituting mandatory minimum rents of \$50 per month (Sec. 227).
- Elimination of utility allowance reimbursements (Sec. 228).
- Public Housing flexibilities (Sec. 230).
- Public Housing Capital and Operating Fund flexibilities (Sec. 233).
- Use of Hope VI and Choice Neighborhoods Initiative unobligated balances for Capital Fund purposes (Sec. 236).

Public Housing Capital Fund

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Formula Grants	\$1,824,500	\$14,224	\$1,838,724	\$1,799,528	\$1,821,032	\$19,529	\$1,840,561	\$589,700
Emergency/Disaster Reserve	16,500	9,048	25,548	13,140	16,469	12,355	28,824	20,000
Resident Opportunities and Supportive Services	35,000	46,734	81,734	45,962	34,933	35,566	70,499	...
Administrative Receivership	1,000	4,150	5,150	3,190	998	1,150	2,148	...
Financial and Physical Assessment Support ...	3,000	11,288	14,288	11,544	2,994	5,145	8,139	8,300
Jobs-Plus	15,000	15,000	30,000	29,398	14,971	602	15,573	10,000
Safety and Security ...	5,000	...	5,000	5,000	4,991	...	4,991	...
Technical Assistance ..	...	1,279	1,279	381	...	1,305	1,305	...
ConnectHome .....	...	...	...	...	...	...	...	...
Rental Assistance Demonstration (transfer) .....	...	-18,958	-18,958	...	...	-36,000	-36,000	...
Research and Technology (transfer) .....	...	...	...	...	...	...	...	...
Total	1,900,000	82,765	1,982,765	1,908,143	1,896,388	39,652	1,936,040	628,000

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Appropriations Language**

The fiscal year 2018 President's Budget includes the appropriation language listed below.

For the Public Housing Capital Fund Program to carry out capital and management activities for public housing agencies, as authorized under section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g) (the "Act") \$628,000,000, to remain available until September 30, 2021: Provided, That notwithstanding any other provision of law or regulation, during fiscal year 2018, the Secretary of Housing and Urban Development may not delegate to any Department official other than the Deputy Secretary and the Assistant Secretary for Public and Indian Housing any authority under paragraph (2) of section 9(j) regarding the extension of the time periods under such section: Provided further, That for purposes of such section 9(j), the term "obligate" means, with respect to amounts, that the amounts are subject to a binding agreement that will result in outlays, immediately or in the future: Provided further, That up to \$8,300,000 shall be to support ongoing Public Housing Financial and Physical Assessment activities: Provided further, That of the total amount provided under this heading, not to exceed \$20,000,000 shall be available 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 2018: Provided further, That of the total amount made available under this heading, up to \$10,000,000 shall be for a Jobs-Plus initiative modeled after the Jobs-Plus demonstration: Provided further, That funding provided under the previous proviso shall be available for competitive grants to partnerships between public housing authorities, local workforce investment boards established under section 117 of the Workforce Investment Act of 1998, 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 public housing agencies to request exemptions from rent and income limitation requirements under sections 3 and 6 of the United States Housing Act of 1937 as necessary to implement the Jobs-Plus program, on such terms and conditions as the Secretary may approve upon a finding by the Secretary that any such waivers 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 proviso no later than 10 days before the effective date of such notice: Provided further, That from the funds made available under this heading, the Secretary shall provide bonus awards in fiscal year 2018 to public housing agencies that are designated high performers:

Note.—A full-year 2017 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, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING OPERATING FUND
2018 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>
2016 Appropriation	\$4,500,000	-\$61,466	...	\$4,438,534 ^a	\$4,037,057	\$4,385,361
2017 Annualized CR	4,500,000	294,791	-\$8,554 ^b	4,786,237 ^c	4,786,000	4,377,000
2018 Request	<u>3,900,000</u>	<u>-186,000</u>	...	<u>3,714,000^d</u>	<u>3,714,000</u>	<u>3,894,000</u>
Change from 2017	-600,000	-480,791	+8,554	-1,072,237	-1,072,000	-483,000

a/ Total resources and obligations for fiscal year 2016 includes \$61.5 million transferred from the public housing operating fund for subsidy payments for units converting under the Rental Assistance Demonstration (RAD).

b/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

c/ Total resources and obligations for fiscal year 2017 includes an estimated \$110 million transferred for the implementation of RAD.

d/ Total resources and obligations for fiscal year 2018 includes an estimated \$186 million to be transferred for the implementation of RAD.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The fiscal year 2018 President’s Budget request of \$3.9 billion is \$591 million less than the fiscal year 2017 Annualized CR level. This request represents an 80.7 percent proration against formula eligibility, and will allow the Department to continue to serve approximately 1.1 million units by providing operating subsidy payments to more than 3,000 Public Housing Authorities (PHAs) for the operation, management, and maintenance of public housing throughout the United States and its territories. The funding request reflects a set of policies, described further below, that reduce costs while continuing to assist current residents; these policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms.

Key program outcomes include, but are not limited to:

- Preserving and sustaining the public housing portfolio in support of residents;
- Decreasing energy costs through regular maintenance and Energy Performance Contracting; and
- Leveraging federal resources.

Public Housing Operating Fund

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 nearly 1.1 million deeply affordable public housing units. The public housing stock constitutes a critical piece of 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 generally, as well as the working poor. On average, public housing units serve 2.17 residents with a median household income of \$14,538. For comparison, the national median income is \$65,700. 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 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
- Routine and preventative maintenance
- Anti-crime, anti-drug and security activities
- Operating costs for privately owned public housing units within mixed-finance
- 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 and viability of their properties

Public Housing Operating Fund

3. Justification

Public housing units provide affordable housing absent of market-driven factors, which assures affordability for low-income families. Public housing is a necessary housing resource in not only large metropolitan areas, but also in smaller, rural areas where public housing often times provides the only available safe, accessible, and affordable rental housing in the area.

The Operating Fund provides operating subsidy payments to more than 3,100 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.

Rental Assistance Demonstration (RAD)

HUD will continue the conversion of some Public Housing to long-term Section 8 contracts under the Rental Assistance Demonstration (RAD) program. Although RAD does not receive appropriated funds, rent levels and initial funding for the Section 8 contracts are dependent on public housing funding levels. While the 2018 Operating Fund level may slow the pace of conversions, many existing awardees will still be able to convert and undertake property improvements. Interested PHAs will need to evaluate the effect of conversions in a reduced funding environment on any remaining public housing stock.

Cross-cutting Rent Reform Proposals

The Budget proposes a set of policies in its core rental assistance programs to reduce costs while at the same time continuing to assist current residents, encouraging work, and promoting self-sufficiency. They also seek to provide administrative flexibilities and to streamline the complex and administratively burdensome calculation of income and rent. These policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms for 2019. Changes to rental assistance programs included in the 2018 President's Budget include:

- An increase in the tenant contribution toward rent from 30 percent of adjusted income to 35 percent of gross income (i.e., income adjusted by exclusions but not deductions). Hardship exemptions, as defined by the Secretary, will be available for tenants. Note: The Department will implement this provision as a pilot in PBRA, 202, and 811 in 2018; it does not plan to implement this in the Public Housing or HCV programs in 2018.
- Establishing minimum tenant rental payments of \$50 per month, with hardship exemptions.

Public Housing Operating Fund

- Elimination of utility reimbursement payments to tenants, sometime referred to as "negative rents." These payments have occurred when tenant-paid utility costs exceeded the minimum rent due. Hardship exemptions, as defined by the Secretary, will be available for tenants.
- Expanded waiver authority for statutory or regulatory provisions related to public housing agency (PHA) administrative, planning, and reporting requirements, energy audits, income recertification, and program assessments.

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 public housing program provide additional flexibility for PHAs to be able to manage their limited resources more efficiently and effectively. For fiscal year 2018, HUD proposes to seek authority for the following programmatic changes:

- 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 within each jurisdiction 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 using fiscal year 2018 and previous years funding, including the use of existing Operating Reserves for capital improvements. This flexibility would enable PHAs to focus scarce resources on local priorities without being constrained by the statutory limitations of each fund.

Public Housing Operating Fund

General Provisions

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

- Raising rent contributions to 35 percent of gross rents (Sec. 226).
- Instituting mandatory minimum rents of \$50 per month (Sec. 227).
- Elimination of utility allowance reimbursements (Sec. 228).
- Public Housing flexibilities (Sec. 230).
- Public Housing Capital and Operating Fund flexibilities (Sec. 233).

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>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Operating Subsidy	\$4,500,000	...	\$4,500,000	\$4,037,057	\$4,491,446	\$404,791	\$4,896,237	\$3,900,000
PHA Financial Hardship Assistance .....	...	...	...	...	...	...	...	...
Rental Assistance Demonstration (transfer) .....	...	-\$61,466	-61,466	...	...	-110,000	-110,000	...
Research and Technology (transfer) .....	...	...	...	...	...	...	...	...
Total	4,500,000	-61,466	4,438,534	4,037,057	4,491,446	294,791	4,786,237	3,900,000

Public Housing Operating Fund

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING OPERATING FUND
Appropriations Language**

The fiscal year 2018 President's Budget includes the appropriation language listed below.

For 2018 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)), 3,900,000,000, to remain available until September 30, 2019. Note.—A full-year 2017 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, 2017 (P.L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

Note.—A full-year 2017 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, 2017 (P.L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

**PUBLIC AND INDIAN HOUSING
CHOICE NEIGHBORHOODS
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

CHOICE NEIGHBORHOODS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$125,000	\$13,477	...	\$138,477	\$6,156	\$40,374
2017 Annualized CR	125,000	132,321	-\$238 ^{a/}	257,083	257,083	116,931
2018 Request	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>149,453</u>
Change from 2017	-125,000	-132,321	+238	-257,083	-257,083	+32,522

a/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The 2018 President’s Budget requests no funding for the Choice Neighborhoods program. In addition, it proposes that all recaptured funds in both Choice Neighborhoods and its predecessor program, HOPE VI, be directed to the Public Housing Capital Fund.

Currently, there are 96 Choice Neighborhoods and HOPE VI grants worth almost \$500 million at work in communities across the country. Choice Neighborhoods and its predecessor, HOPE VI, funded competitive grants to transform neighborhoods of concentrated poverty into sustainable, mixed income communities with a focus on improved housing, successful residents, and vibrant neighborhoods. Grantees included local governments, assisted housing owners, community development corporations, non-profits and for profit entities as well as public housing agencies and tribally designated housing entities. Choice Neighborhoods provided two kinds of grants: planning and action grants which supported the development of comprehensive transformation strategies along with critical community improvement projects, and implementation grants, which allowed communities to put their plans for neighborhood revitalization into effect. The program office will continue to monitor current grantees, work with communities to use existing grants effectively, and collaborate with communities to use remaining grant funding to accomplish the goals for the program.

Choice Neighborhoods

This budget is a first step in recognizing a greater role for State and local governments; the private sector; and non-profits to address community and economic development needs. HUD seeks to find ways to partner with these organizations to adopt policies and reduce regulatory barriers to transform neighborhoods and unleash the potential of their residents.

General Provisions

Unobligated balances, including recaptures and carryover, remaining available for obligation from funds appropriated to the Department of Housing and Urban Development in prior Acts and under the headings "Revitalization of Severely Distressed Public Housing "(HOPE VI)" and "Choice Neighborhoods Initiative" may be used for purposes under the "Public Housing Capital Fund" heading in this Act, notwithstanding the purposes for which such funds were appropriated. (Sec 236)

Choice Neighborhoods

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Choice Neighborhoods								
Grants	<u>\$125,000</u>	<u>\$13,477</u>	<u>\$138,477</u>	<u>\$6,156</u>	<u>\$124,762</u>	<u>\$132,321</u>	<u>\$257,083</u>	<u>...</u>
Total	125,000	13,477	138,477	6,156	124,762	132,321	257,083	...

**PUBLIC AND INDIAN HOUSING
FAMILY SELF-SUFFICIENCY PROGRAM
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

FAMILY SELF-SUFFICIENCY PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$75,000	\$75,000	...	\$150,000	\$149,921	\$78,372
2017 Annualized CR	75,000	79	-\$143 ^{a/}	74,936	74,936	75,000
2018 Request	<u>75,000</u>	<u>...</u>	<u>...</u>	<u>75,000</u>	<u>75,000</u>	<u>73,000</u>
Change from 2017 .....	...	-79	+143	+64	+64	-2,000

a/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The fiscal year 2018 President’s Budget requests \$75 million for the Family Self-Sufficiency (FSS) program, \$143 thousand more than the fiscal year 2017 Annualized CR level. The purpose of the FSS program is to promote local strategies that leverage public and private resources, enabling families to increase earned income and financial literacy, and reduce or eliminate the need for welfare assistance. It leverages funds provided for coordinators’ salaries with an array of services provided by other state, city and local programs for training, counseling and other supportive services. This enables program participants to increase their earned income, and decrease or eliminate the need for rental assistance.

The request would allow the Department to fund approximately 1,300 Family Self-Sufficiency Program Coordinators that will serve approximately 72,000 families. 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.

Family Self-Sufficiency Program

2. Request

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 work-promoting service coordination and a rent incentive in the form of an escrow account that grows as families' earnings increase. The program helps families set goals to achieve economic security and economic independence. Generally, families have 5 years in which to achieve their goals. 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 program funds FSS Coordinators 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 supportive services. These 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 among others. The role of the FSS Coordinator is essential to the success of the FSS program.

3. Justification

FSS funding promotes economic security and self-sufficiency of recipients of HUD rental assistance. The success of the program is demonstrated by local communities led by FSS coordinators achieving the following outcomes for calendar year 2016:

- Over 72,000 households actively participates in the program;
- 4,793 families successfully completed their FSS contracts and graduated;
- 100 percent of graduating families did not require temporary cash assistance (TANF/welfare). This is a requisite of graduating from the program.
- 52 percent of graduates have escrow savings, at an average of approximately \$6,500;
- 1,557 FSS program graduates (32 percent) exited rental assistance within one year of leaving the FSS program; and
- 606 FSS program graduates (12.64 percent) went on to purchase a home.

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 following is an actual example of outcomes

Family Self-Sufficiency Program

for program graduates and their families: Q.P., from Waterbury, CT, is a single mother of three and had been on the voucher program since 2005. She enrolled in the FSS program in 2010 with an income of \$14,000 from temporary work. While on FSS, she received her Associate's degree and became a licensed radiographer. After four years, she graduated from FSS and was no longer in need of voucher assistance, as her income had increased to \$72,000, which is 104 percent of the local area median income (AMI).

The FSS program is a particularly cost-effective program in that it does not directly fund the wrap-around services utilized by residents to achieve self-sufficiency. Grants are for one year, and cover primarily the Coordinator's salary, while all services come from partnerships with employers and service providers in the community. Residents benefit from an array of services leveraged from state, city and local programs by the Coordinators. HUD capitalized on its fiscal year 2015 and 2016 appropriations to further the efficiencies of the program by not only serving HCV and Public Housing residents, but 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.

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 within the study. HUD is committed to encouraging self-sufficiency among those receiving rental assistance and hopes to use the results of the study to improve the efficiency and efficacy of its programs.

Preliminary findings in a randomized control trial of the FSS program, as well as two alternative strategies conducted by Manpower Demonstration Research Corporation (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 earnings gains 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, 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.

¹ <http://www.mdrc.org/publication/working-toward-self-sufficiency>

Family Self-Sufficiency Program

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.

HUD has undertaken improvements to the program, which will assist grantees and increase accountability. Such improvements include a variety of guidance and training for grantees. HUD will be making available: (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 is developing a composite score for FSS grantees. The composite score will be based on evaluation metrics, including: earnings (whether earnings of FSS participants exceeds that of similar non-participants at a PHA); graduation (share of FSS participants who have graduated from FSS); and participation (meeting and/or exceeding the minimum needed to qualify for FSS coordinator grant). Each grantee will be given a High, Standard or Low score. The methodology is expected to be published for public comment in late fiscal year 2017 with test scores. Final scores are expected by December 2017.

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>.

Family Self-Sufficiency Program

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Grants	\$75,000	\$75,000	\$150,000	\$149,921	\$74,857	\$79	\$74,936	\$75,000
Total	75,000	75,000	150,000	149,921	74,857	79	74,936	75,000

**PUBLIC AND INDIAN HOUSING
FAMILY SELF-SUFFICIENCY PROGRAM
Appropriations Language**

The fiscal year 2018 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 sections 8(o) and 9 of such Act 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, 2019: Provided, That the Secretary may, by Federal Register notice, waive or specify alternative requirements under sections 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 may allow owners to use funding from residual receipt accounts to hire coordinators for their own Family Self-Sufficiency program.

Note.—A full-year 2017 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, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

**PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

NATIVE AMERICAN HOUSING BLOCK GRANTS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$650,000	\$44,560	-\$6,000 ^a	\$688,560 ^b	\$670,298	\$750,417
2017 Annualized CR	650,000	21,262	-2,236 ^c	669,026 ^d	653,026	657,895
2018 Request	<u>600,000</u>	<u>17,000</u>	...	<u>617,000^e</u>	<u>617,000</u>	<u>610,162</u>
Change from 2017	-50,000	-4,262	+2,236	-52,026	-36,026	-47,733

- a/ In 2016, \$12 million was permanently rescinded from the GI/SRI Program Account and the Native American Housing Block Grants, pursuant to the Consolidated Appropriations Act, 2016 (P.L. 114-113). Of this amount, \$6 million was rescinded from the Native American Housing Block Grants account.
- b/ Total resources, obligations and outlays exclude permanent indefinite authority of \$4 million for guaranteed loan upward re-estimates, and a rescission of Title VI funds in accordance with P.L. 114-113. Amount reflects the rescission of funds from the unobligated balance of credit subsidy appropriated in previous fiscal years.
- c/ Public Law 114-223 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent. In 2017, \$1 million was permanently rescinded from the Native American Housing Block Grants account.
- d/ Includes \$1.1 million in recaptures realized in fiscal year 2016, and \$140 thousand in recaptures realized in fiscal year 2017. Total resources, obligations and outlays exclude permanent indefinite authority of \$4 million for guaranteed loan upward re-estimates. Amount reflects the rescission of funds from the unobligated balance of credit subsidy appropriated in previous fiscal years.
- e/ Includes \$17 million in anticipated recaptures to be realized in fiscal year 2018.

1. Program Purpose and Fiscal Year 2018 Budget Overview

In fiscal year 2018, the President’s Budget requests \$600 million for Native American Housing Block Grants, \$48 million less than the fiscal year 2017 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.

Native American Housing Block Grants

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 IHBG program, established by Title I of NAHASDA, 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 and the mandates of this Budget, the Department will explore ways to use 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.

Native American Housing Block Grants

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. One of the most significant changes will be that, for fiscal year 2018, the formula data will be drawn from the United States Decennial Census and the American Community Survey; however, there will be adjustments to minimize the volatility such change could trigger. Other changes include administrative changes to the demolition language and conveyance requirements, and an increase to the minimum grant amount.

Native American Housing Block Grants

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 in a given 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. Technical assistance and training are provided to improve administrative and management capacity.

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

Native American Housing Block Grants

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 2016, 563 affordable housing units were built or acquired using IHBG funds and about 5,400 units were substantially rehabilitated. In addition, tribes operated, maintained, and renovated about 43,000 units of 1937 Act housing. Since the program's first year of funding in 1998, through fiscal year 2016, recipients built or acquired more than 38,000 units of affordable housing, and rehabilitated about 85,000 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 almost 1,300 acres of land to develop affordable housing, and have provided down payment or closing cost assistance to more than 2,700 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 \$17.4 million, based on a subsidy rate of 11.5 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 March 31, 2017, a total of 94 loans have been guaranteed, for \$233.6 million. Approximately 3,200 affordable units are associated with these loans. Title VI projects typically span several years, and include infrastructure development.

Native American Housing Block Grants

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Formula Grants	\$642,500	\$26,035	\$668,535	\$652,445	\$641,778	\$12,436	\$654,214	\$598,000
Loan Guarantee - Title VI (Credit Subsidy) ..	-4,000	12,558	8,558	5,760	996	2,479	3,475	2,000
Technical Assistance ..	2,000	2,423	4,423	5,048	1,996	2,847	4,843	...
National or Regional Organization	3,500	3,544	7,044	7,044	2,994	3,500	6,494	...
Research and Technology (transfer) .....	...	...	...	...	[3,500]	...	[3,500]	...
Total	644,000	44,560	688,560	670,297	647,764	21,262	669,026	600,000

NOTE:

For FY 2016, Total resources, obligations and outlays exclude permanent indefinite authority of \$4 million for guaranteed loan upward re-estimates, and a rescission of Title VI funds in accordance with P.L. 114-113. Amount reflects the rescission of funds from the unobligated balance of credit subsidy appropriated in previous fiscal years. In 2016, \$12 million was permanently rescinded from the GI/SRI Program Account and the Native American Housing Block Grants, pursuant to the Consolidated Appropriations Act, 2016 (P.L. 114-113). Of this amount, \$6 million was rescinded from the Native American Housing Block Grants account.

Includes \$1.1 million in recaptures realized in fiscal year 2016, and \$140 thousand in recaptures realized in fiscal year 2017. Public Law 114-223 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

Native American Housing Block Grants

**PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANT
Appropriations Language**

The fiscal year 2018 President's Budget includes proposed changes in 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, 2022: 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 \$17,391,304.

Note. —A full-year 2017 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, 2017 (P.L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN HOUSING BLOCK GRANTS
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

NATIVE HAWAIIAN HOUSING BLOCK GRANTS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$727	...	\$727	\$539	\$12,453
2017 Annualized CR	189	...	189	189	4,000
2018 Request	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>5,000</u>
Change from 2017	-189	...	-189	-189	+1,000

1. Program Purpose and Fiscal Year 2018 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 2018 the program’s obligated 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 the 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 assist families prepare 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

Native Hawaiian Housing Block Grants

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 located in various geographic areas of the islands, typically in rural areas, and some with terrain that is difficult and costly to develop. Under this program, DHHL is able to 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.

Program funds help relieve overcrowding and homelessness: there is significant need for affordable housing among the population the program serves, as evidenced by the following demographics:

- 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.
- 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).
- Native Hawaiians are overrepresented in Hawaii's homeless population.

The recipient 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,

Native Hawaiian Housing Block Grants

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.

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.

Native Hawaiian Housing Block Grants

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Grants
Technical Assistance	\$727	\$727	\$539	...	\$189	\$189	...
Research and Technology (transfer)
Total	727	727	539	...	189	189	...

**PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

INDIAN HOUSING LOAN GUARANTEE FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$7,500	\$5,702	...	\$13,202 ^a	\$4,734	\$3,842
2017 Annualized CR	7,500	6,645	-\$14 ^b	14,131 ^c	4,999	4,550
2018 Request .....	...	<u>9,132</u>	...	<u>9,132</u>	<u>4,006</u>	<u>4,440</u>
Change from 2017	-7,500	+2,487	+14	-4,999	-993	-110

a/ Total resources, obligations and outlays includes \$167 thousand from recaptures realized in fiscal year 2017 and excludes mandatory permanent indefinite authority of \$33.1 million for guaranteed loan upward re-estimates.

b/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

c/ Total resources, obligations and outlays excludes mandatory permanent indefinite authority of \$7 million for guaranteed loan upward re-estimates, plus interest.

	<u>2016 Enacted</u>	<u>2017 Request</u>	<u>2018 Request</u>
Loan Guarantee Commitment Limitation	\$1,190,000	\$1,190,000	...

1. Program Purpose and Fiscal Year 2018 Overview

The Department will carry forward balances of prior year subsidy budget authority sufficient to guarantee up to \$1.78 billion in loans in fiscal year 2018 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. The request is \$7.5 million less than the fiscal year 2017 Annualized CR level. The Department projects loan guarantee volume in fiscal year 2018 of \$880 million, and the subsidy rate is 0.37 percent.

Key outcomes of the Indian Housing Loan Guarantee Fund are:

Indian Housing Loan Guarantee Fund (Section 184)

- 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.

Indian Housing Loan Guarantee Fund (Section 184)

The primary indicator of performance is the number of loans guaranteed under this program. As of December 31, 2016, a total of 36,324 (cumulative over the 22-year life of the program) loans had been guaranteed, with loan guarantee authority of more than \$6 billion.

- In fiscal year 2013, 3,852 loans were guaranteed for almost \$672.3 million. The average loan in fiscal year 2013 was approximately \$174,529.
- In fiscal year 2014, 3,449 loans were guaranteed for more than \$595 million; the average loan was \$172,517.
- In fiscal year 2015, 4,198 loans were guaranteed for more than \$738 million; the average loan was \$175,820.
- In fiscal year 2016, 4,149 loans were guaranteed, for \$709.6 million; the average loan was \$171,036.
- In fiscal year 2017, 4,444 loans are expected to be guaranteed, for approximately \$800 million. As of December 31, 2016, 1,035 loans had been guaranteed (in the first 3 months of fiscal year 2017), for approximately \$214 million.
- In fiscal year 2018, 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 successfully eliminates 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.

Indian Housing Loan Guarantee Fund (Section 184)

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Loan Guarantee Credit								
Subsidy	\$6,750	\$3,711	\$10,461	\$37,842	\$6,737	\$4,163	\$10,900	...
Transformation Initiative .....	...	...	...	...	...	...	...	...
Land Title Report Commission .....	...	99	99	...	...	99	99	...
Loan Guarantee Contracts	<u>750</u>	<u>1,892</u>	<u>2,642</u>	<u>242</u>	<u>749</u>	<u>2,383</u>	<u>3,132</u>	<u>...</u>
Total	7,500	5,702	13,202	38,084	7,486	6,645	14,131	...

NOTES: Total resources, obligations and outlays include permanent indefinite authority of \$33.1 million for guaranteed loan upward re-estimates, and \$167 thousand from recaptures realized in fiscal year 2017.

Total resources, obligations and outlays exclude permanent indefinite authority of \$7 million for guaranteed loan upward re-estimates, plus interest. Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

NATIVE HAWAIIAN LOAN GUARANTEE	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$5,746	...	\$5,746 ^a	\$82	\$84
2017 Annualized CR	5,664	...	5,664 ^b	... ^c	20
2018 Request	<u>...</u>	<u>5,664</u>	<u>...</u>	<u>5,664</u>	<u>...^c</u>	<u>...</u>
Change from 2017	-20

- a/ Total resources, obligations, and outlays exclude \$137 thousand of mandatory permanent indefinite authority for the upward re-estimate.
b/ Total resources, obligations, and outlays exclude \$360 thousand of mandatory permanent indefinite authority for the upward re-estimate.
c/ In 2017 and 2018, the Native Hawaiian Loan Guarantee program has a negative subsidy rate, so no obligations of subsidy will be made.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The Department will carry forward balances of prior year loan guarantee authority sufficient to guarantee up to \$23.3 million in loans in fiscal year 2018 in the Native Hawaiian Loan Guarantee Fund (also known as the Section 184A program); additionally, the program is operating on a negative subsidy basis for fiscal year 2018, therefore the President’s Budget does not request new appropriations. This level is equal to the fiscal year 2017 full year CR. The Department projects existing authority is sufficient to meet performance targets of guaranteeing 55 loans in fiscal year 2017 and 55 loans in fiscal year 2018.

Key outcomes of the Native Hawaiian Loan Guarantee Fund are:

- An increase in 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.

Native Hawaiian Loan Guarantee Fund (Section 184A)

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.

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.

Native Hawaiian Loan Guarantee Fund (Section 184A)

In fiscal year 2016, HUD issued 64 loan guarantee certificates, representing more than \$16 million in mortgage loans. Since program activity began in fiscal year 2005, through December 31, 2016, 538 loans for almost \$133 million have been guaranteed. In 2010, there were 6,150 Native Hawaiian households (families) on the home lands, and 14,350 households on the waiting list for a home lands lease.

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.

Native Hawaiian Loan Guarantee Fund (Section 184A)

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Loan Guarantee Credit								
Subsidy	\$5,746	\$5,746	\$82	...	\$5,664	\$5,664	...
Total	5,746	5,746	82	...	5,664	5,664	...

**COMMUNITY PLANNING AND DEVELOPMENT
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$335,000	\$106,080 ^a	...	\$441,080	\$341,758	\$347,620
2017 Annualized CR	335,000	99,295	-\$637 ^b	433,658	345,331	350,908
2018 Request	<u>330,000</u>	<u>88,326</u>	...	<u>418,326</u>	<u>326,549</u>	<u>330,777</u>
Change from 2017	-5,000	-10,969	+637	-15,332	-18,782	-20,131

- a/ Fiscal year 2016 carryover includes a Department of Justice Interagency Agreement transfer in the amount of \$1.490 million, as well as \$17.3 thousand of recaptured grant funds.
- b/ The 2017 Continuing Resolution, Public Law 114-254, required a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The Department requests \$330 million for the Housing Opportunities for Persons With AIDS (HOPWA) program to enable communities to continue their efforts to prevent homelessness and sustain housing stability for approximately 51,700 economically vulnerable households living with Human Immunodeficiency Virus (HIV)/AIDS infection. The requested level is \$4.4 million less than the fiscal year 2017 annualized Continuing Resolution. Since 1992, HUD’s HOPWA program has provided resources to support the development and operation of high quality, supportive housing programs for low-income People Living with HIV/AIDS (PLWHA) and their families. The assistance provided by the HOPWA program helps PLWHA become stably housed and maintain housing during times of medical crises. In addition, HOPWA-assisted households 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.

Key HOPWA Program Outcomes:

- 24,164 Permanent Supportive Housing households: Continual support and sustaining of these households with tenant-based rental assistance and facility-based housing for those who face significant health and life challenges that impede their ability to live independently.

Housing Opportunities for Persons With AIDS

- 26,005 Transitional/Short-Term Housing households: Continual support and sustaining of these households with homeless prevention efforts through the provision of short-term rent, mortgage, and utility (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 private housing market.
- Greater housing stability: Ninety-five percent of households receiving long-term assistance in fiscal year 2016 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 web link](#)) to provide housing assistance and supportive services to low-income persons living with HIV/AIDS. 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; and 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 living 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 incorporated local housing costs and poverty rates into the formula. The law provides that HOPWA modernization begins in fiscal year 2017 and is phased in over five years with annual "stop-loss" caps of no more than a 5 percent loss or 10 percent gain each year to avoid highly volatile shifts in either direction for any one jurisdiction. HUD has requested a technical correction to define the "stop-loss" caps as based on prior year share of HOPWA formula funding, and not prior year actual jurisdictional award. Fiscal year 2018 is the second 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

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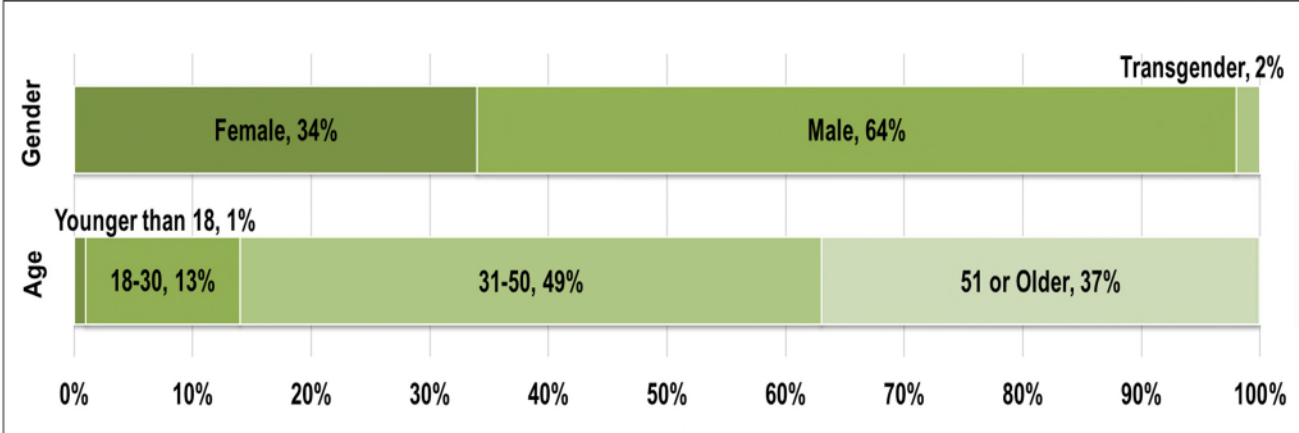
of funds given to an area is based on the area's share of the total number of people living with HIV and AIDS in the USA. The remaining 25 percent is awarded based on factors of poverty and local housing costs. The new formula is reflective of the nation's current HIV epidemic; the epidemic has shifted to rural, Southern states with fewer new infections occurring in the large urban centers most affected by HIV/AIDS in the 1990's. 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.

Competitive funds. Ten percent of funds is awarded as competitive grants 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 three-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 2018 will be eligible and prioritized 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 – assisted households are primarily extremely-low to very-low income. Of the approximately 51,700 households assisted by HOPWA, 76 percent are extremely low-income, meaning household income is less than 30 percent of area medium income (AMI); 15 percent are in the very low-income range, meaning the household income is 30-50 percent of AMI; and 9 percent are low-income, with household income at 50-80 percent of AMI. The following charts indicate demographic information for the qualifying member of the HOPWA-assisted households.

Age and Gender of HOPWA-Assisted Individuals



Race and Ethnicity of HOPWA –Assisted Individuals

American Indian/Alaskan Native	0.82
Asian	0.71
Black/African American	53.73
Native Hawaiian / Other Pacific Islander	0.43
White	36.36
American Indian / Alaskan Native & White	0.18
Asian & White	0.10
Black/African American & White	0.73
American Indian / Alaskan Native & Black / African American	0.08
Other Multi - Racial	6.84
Percentage of HOPWA-Assisted Individuals Identified as Hispanic / Latino: 16%	

Housing Opportunities for Persons With AIDS

Key Partnerships and Stakeholders

The Office of HIV/AIDS Housing is engaged in multi-year collaboration projects with the Health Resources and Services Administration (HRSA) HIV/AIDS Bureau with an investment of resources from HRSA's Minority AIDS Initiative Fund (SMAIF). These projects include improving housing coordination and health outcomes for persons living with HIV/AIDS via integrated data systems between Ryan White HIV/AIDS program recipients and HOPWA providers; and improving employment outcomes by supporting the design, implementation, and evaluation of innovative interventions in the *Getting to Work* employment training curriculum. In addition, HUD continues to provide funding, via its demonstration project with the Department of Justice, for transitional and other temporary rental housing assistance and supportive services for low-income persons living with HIV who are victims of sexual assault, domestic violence, or stalking.

3. Justification

Persons living with HIV/AIDS are highly vulnerable to homelessness; 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.¹ Moreover, 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 periods of disengagement. Those living with HIV/AIDS who are homeless or unstably housed are more prone to 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.²

The HOPWA statute provides a unique authority to target housing interventions to a special needs population and to serve as a bridge in coordinating access to other mainstream care and support, such as HIV services provided under Ryan White CARE Act. Research conducted by the AIDS Foundation of Chicago has shown that formerly homeless persons living with AIDS had significantly improved medication adherence, health outcomes, and viral loads when provided with HOPWA housing assistance, compared to persons who remained homeless or unstably housed.³ In addition, HOPWA program evaluation results show high levels of participant connection to care, with 91 percent of households served during the 2015-2016 program year engaged in ongoing primary health care, compared to 89 percent during the fiscal year 2014-2015 program year.

Housing interventions not only improve stability and connection to care, but also provide the essential foundation for participating in antiretroviral (ARV) treatment and achieving an undetectable viral load which prevents the spread of HIV. Multiple studies have found lack of stable housing to be one of the most significant factors limiting the use of ARVs, regardless of insurance.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 With 97 percent of persons in HOPWA supportive housing programs reporting a stable housing outcome, the HOPWA program helps participants achieve the housing stability needed to effectively manage the illness and participate in ARV treatment.

Homelessness is also 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

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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.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

Stable Housing Equals Cost-Benefit Savings

The number of persons living with HIV in the United States continues to grow annually with 37,600 new HIV diagnoses in 2014 compared to 12,333 HIV/AIDS related deaths in the same time period. Treatment costs for people living with HIV and AIDS are high. Recent estimates put the annual direct costs of HIV medications at between \$17,000 and \$41,000 per person per year,⁹ depending on the severity of an individual's infection;¹⁰ and lifetime treatment costs per person are estimated to be \$415,000.¹¹ In addition, people living with HIV who are homeless or unstably housed are shown to be more likely to demonstrate frequent and prolonged use of high-cost hospital-based emergency or inpatient services, as compared to those persons living with HIV who are stably housed.¹²

Stable housing is one of the most cost-effective strategies for driving down national HIV/AIDS costs. By investing in the provision of affordable supportive housing, HOPWA assistance is a simple way to safeguard the national investment in HIV care. HOPWA grantees demonstrate that 97 percent of those receiving housing support are stably housed, and research conducted by the AIDS Foundation of Chicago shows substantial cost savings were achieved by reducing emergency care and nursing services for HOPWA

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.

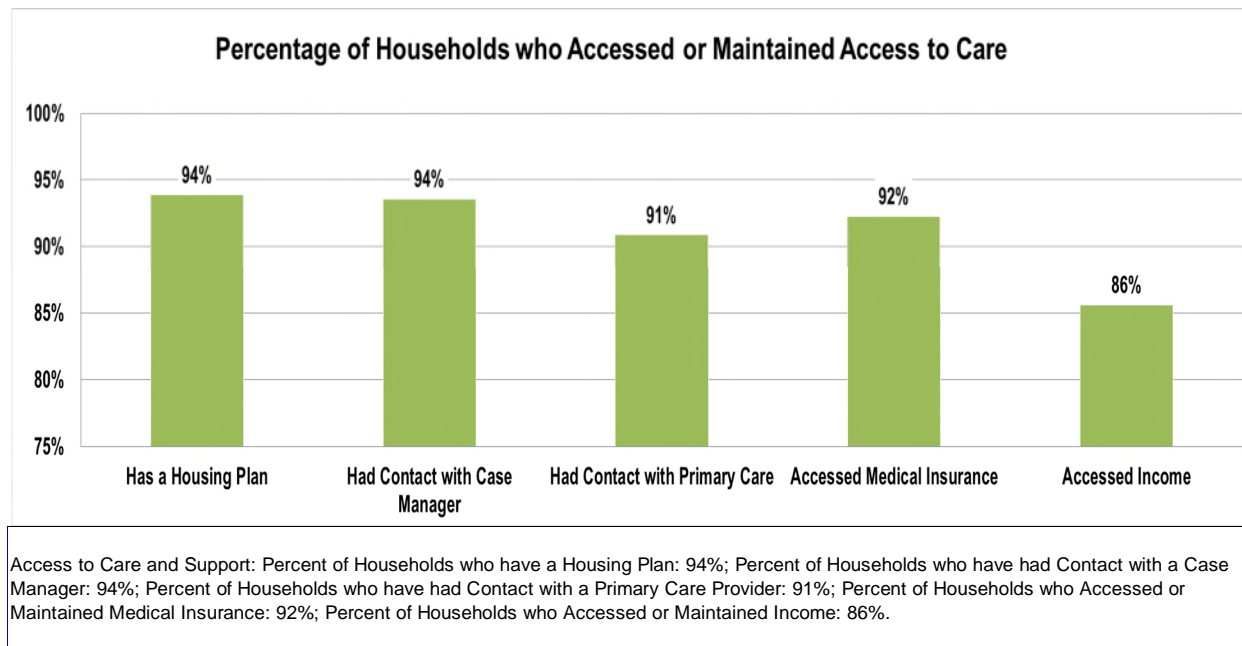
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individuals.¹³ It is estimated that preventing approximately 40,000 new HIV infections in the United States each year would avoid expending \$12.1 billion annually in future HIV-related medical costs, assuming the current standard of care.¹⁴

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 are estimated at \$12,146 per placement in housing.¹⁵ 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, which results in reduced HIV transmission and healthier individuals.

Program Outcomes

On a national level, the HOPWA 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 95 percent placed in a permanent housing facility achieved housing stability in fiscal year 2016. Sixty-eight percent of clients receiving transitional or short-term housing facilities assistance and 46 percent receiving short-term rent, mortgage, and utility assistance achieved housing stability in fiscal year 2016.



Housing Opportunities for Persons With AIDS

The charts below reflect estimated distribution of Funds to Grantees. The modernization of the HOPWA formula by the Housing Opportunity Through Modernization Act (HOTMA) of 2016, Public Law 114-201, advances the program’s ability to target funding to the areas of highest need. The rural south has experienced an increase in new cases of persons living with HIV. The prior formula gave funding to each jurisdiction based on cumulative AIDS cases, and did not account for how many persons living with HIV currently live in the jurisdiction. According to the Centers for Disease Control and Prevention, about 55 percent of the people counted in the cumulative AIDS calculations were deceased individuals. The allocation of funding based on cumulative cases reported since the beginning of the epidemic resulted in disproportionately less funding for areas with more recent caseload increases, as compared to the urban epicenters with the longest histories combating the disease and the most deaths. Using the number of persons currently living with HIV (including persons living with AIDS) better targets the distribution of HOPWA funding to those rural Southern states and communities based on a more relevant data set reflecting present need.

The 2017 estimate is based on the Continuing Resolution and reflects the first year of the 5-year stop loss/gain provision of no more than a 5 percent loss or 10 percent gain each year to avoid highly volatile shifts in either direction for any one jurisdiction. Note that HUD has requested a technical correction to further define the “stop-loss” caps as based on prior year **share** of HOPWA formula funding, and not prior year **actual** jurisdictional award.

State	Eligible	2016 Formula (Original) Actual	2017 Formula (HOTMA) Estimate	2018 Formula (HOTMA) Estimate
AL	Birmingham	\$963,865	\$1,029,047	\$1,061,571
AL	Alabama	\$1,530,814	\$1,634,336	\$1,704,506
AR	Little Rock	\$339,773	\$362,750	\$378,325
AR	Arkansas	\$559,011	\$596,814	\$622,438
AZ	Phoenix	\$1,842,885	\$1,967,511	\$2,051,986
AZ	Tucson	\$456,639	\$487,519	\$508,451
AZ	Arizona	\$239,786	\$256,002	\$266,993
CA	Anaheim	\$1,540,538	\$1,644,718	\$1,715,334
CA	Bakersfield	\$384,538	\$410,543	\$428,170
CA	Fresno	\$387,290	\$413,481	\$431,234
CA	Los Angeles	\$13,700,201	\$14,626,684	\$15,050,497
CA	Oakland	\$2,196,785	\$2,345,344	\$2,446,041
CA	Riverside	\$2,004,516	\$2,140,072	\$2,231,956
CA	Sacramento	\$912,361	\$974,060	\$1,015,881
CA	San Diego	\$2,855,967	\$3,049,103	\$3,180,016

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State	Eligible	2016 Formula (Original) Actual	2017 Formula (HOTMA) Estimate	2018 Formula (HOTMA) Estimate
CA	San Francisco	\$7,089,501	\$6,735,026	\$6,398,275
CA	San Jose	\$876,953	\$936,257	\$976,455
CA	Santa Rosa	\$396,830	\$388,055	\$382,561
CA	California	\$2,599,853	\$2,775,669	\$2,894,843
CO	Denver	\$1,562,737	\$1,668,418	\$1,740,052
CO	Colorado	\$439,944	\$469,695	\$489,861
CT	Bridgeport	\$801,916	\$848,864	\$847,561
CT	Hartford	\$1,090,687	\$1,058,775	\$1,042,493
CT	New Haven	\$965,015	\$969,675	\$960,253
CT	Connecticut	\$218,321	\$220,838	\$218,928
DC	District Of Columbia	\$11,107,054	\$10,551,701	\$10,024,116
DE	Wilmington	\$636,800	\$679,864	\$682,959
DE	Delaware	\$209,515	\$223,684	\$233,288
FL	Cape Coral	\$416,644	\$444,820	\$463,918
FL	Deltona	\$383,437	\$409,367	\$426,943
FL	Ft Lauderdale	\$7,136,480	\$6,779,656	\$6,440,673
FL	Lakeland	\$545,561	\$575,378	\$574,169
FL	Miami	\$11,561,671	\$10,983,587	\$10,434,408
FL	Orlando	\$3,701,885	\$3,516,791	\$3,365,605
FL	Palm Bay	\$338,306	\$361,184	\$375,899
FL	Port St Lucie	\$0	\$618,558	\$606,792
FL	Sarasota	\$454,621	\$485,365	\$506,204
FL	Tampa	\$3,819,145	\$3,628,188	\$3,458,778
FL	West Palm Beach	\$3,224,498	\$3,063,273	\$2,910,109
FL	Jacksonville	\$2,619,116	\$2,488,160	\$2,363,752
FL	Florida	\$3,415,896	\$3,609,914	\$3,603,458
GA	Atlanta	\$22,867,304	\$21,723,939	\$20,637,742
GA	Augusta-Richmond County	\$1,048,948	\$996,501	\$946,676
GA	Georgia	\$2,355,297	\$2,514,575	\$2,622,538

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State	Eligible	2016 Formula (Original) Actual	2017 Formula (HOTMA) Estimate	2018 Formula (HOTMA) Estimate
HI	Honolulu	\$439,761	\$469,500	\$489,658
HI	Hawaii	\$208,047	\$222,116	\$226,645
IA	Iowa	\$435,357	\$464,798	\$484,754
IL	Chicago	\$6,980,042	\$7,452,071	\$7,772,026
IL	Illinois	\$1,189,573	\$1,270,018	\$1,324,546
IN	Indianapolis	\$971,436	\$1,037,130	\$1,081,659
IN	Indiana	\$968,868	\$1,034,388	\$1,078,800
KS	Kansas	\$397,381	\$424,254	\$442,469
KY	Louisville	\$587,081	\$626,783	\$653,694
KY	Kentucky	\$542,867	\$579,579	\$604,463
LA	Baton Rouge	\$2,550,866	\$2,423,323	\$2,302,157
LA	New Orleans	\$3,852,045	\$3,659,443	\$3,476,471
LA	Louisiana	\$1,350,470	\$1,441,796	\$1,503,700
MA	Boston	\$2,005,609	\$2,141,239	\$2,233,173
MA	Lowell	\$1,097,475	\$1,171,692	\$1,221,999
MA	Springfield	\$453,520	\$484,190	\$504,979
MA	Worcester	\$454,988	\$485,757	\$506,613
MA	Massachusetts	\$213,000	\$227,404	\$237,168
MD	Baltimore	\$8,331,845	\$7,915,253	\$7,519,490
MD	Frederick	\$1,314,681	\$1,284,945	\$1,266,642
MD	Maryland	\$404,536	\$431,893	\$450,436
MI	Detroit	\$2,695,671	\$2,560,887	\$2,432,843
MI	Warren	\$529,841	\$565,672	\$589,959
MI	Michigan	\$1,091,421	\$1,165,229	\$1,215,258
MN	Minneapolis	\$1,055,095	\$1,126,446	\$1,174,810
MN	Minnesota	\$153,742	\$164,139	\$171,186
MO	Kansas City	\$1,100,044	\$1,174,435	\$1,224,859
MO	St Louis	\$1,413,582	\$1,509,176	\$1,573,973
MO	Missouri	\$543,784	\$580,558	\$605,484
MS	Jackson	\$1,438,529	\$1,366,603	\$1,298,273

Housing Opportunities for Persons With AIDS

State	Eligible	2016 Formula (Original) Actual	2017 Formula (HOTMA) Estimate	2018 Formula (HOTMA) Estimate
MS	Mississippi	\$1,017,669	\$1,086,489	\$1,133,137
NC	Charlotte	\$2,165,860	\$2,213,299	\$2,197,755
NC	Durham	\$294,274	\$314,174	\$327,663
NC	Greensboro	\$325,096	\$347,081	\$361,983
NC	Wake County	\$554,975	\$592,505	\$617,944
NC	North Carolina	\$2,197,886	\$2,346,519	\$2,447,267
NE	Nebraska	\$370,412	\$395,461	\$412,440
NJ	Camden	\$717,340	\$765,850	\$798,732
NJ	Jersey City	\$2,397,584	\$2,277,705	\$2,163,820
NJ	Newark	\$5,807,583	\$5,517,204	\$5,241,344
NJ	Paterson	\$1,363,496	\$1,415,509	\$1,409,079
NJ	New Jersey	\$1,199,113	\$1,280,204	\$1,334,071
NM	Albuquerque	\$335,921	\$358,638	\$374,036
NM	New Mexico	\$290,238	\$309,865	\$323,169
NV	Las Vegas	\$1,174,713	\$1,254,154	\$1,308,001
NV	Nevada	\$253,362	\$270,496	\$282,110
NY	Albany	\$493,882	\$527,281	\$549,920
NY	Buffalo	\$557,911	\$595,640	\$621,214
NY	Islip Town	\$1,749,869	\$1,845,411	\$1,841,520
NY	New York	\$43,778,924	\$41,589,978	\$39,510,482
NY	Rochester	\$689,637	\$736,274	\$767,886
NY	Syracuse	\$292,990	\$312,804	\$326,234
NY	New York	\$2,178,805	\$2,326,148	\$2,374,502
OH	Cincinnati	\$694,774	\$741,758	\$773,605
OH	Cleveland	\$961,896	\$1,026,945	\$1,071,037
OH	Columbus	\$859,524	\$917,650	\$957,049
OH	Dayton	\$293,908	\$313,784	\$327,256
OH	Ohio	\$997,488	\$1,064,944	\$1,110,667
OK	Oklahoma City	\$544,334	\$581,145	\$606,096

Housing Opportunities for Persons With AIDS

State	Eligible	2016 Formula (Original) Actual	2017 Formula (HOTMA) Estimate	2018 Formula (HOTMA) Estimate
OK	Tulsa	\$361,422	\$385,863	\$402,430
OK	Oklahoma	\$253,729	\$270,888	\$282,519
OR	Portland	\$1,091,788	\$1,165,621	\$1,215,667
OR	Oregon	\$387,474	\$413,677	\$431,438
PA	Allentown	\$296,476	\$316,525	\$330,115
PA	Bensalem Township	\$524,154	\$559,600	\$583,626
PA	Harrisburg	\$296,293	\$316,330	\$329,912
PA	Philadelphia	\$7,300,870	\$6,935,827	\$6,589,036
PA	Pittsburgh	\$735,136	\$784,850	\$818,548
PA	Pennsylvania	\$1,315,796	\$1,404,777	\$1,465,091
PR	San Juan Municipio	\$6,171,501	\$5,862,926	\$5,569,780
PR	Puerto Rico	\$1,821,603	\$1,854,674	\$1,840,566
RI	Providence	\$878,237	\$937,628	\$967,614
SC	Charleston	\$497,368	\$531,003	\$553,802
SC	Columbia	\$1,154,666	\$1,232,751	\$1,234,960
SC	Greenville	\$368,760	\$393,698	\$410,601
SC	South Carolina	\$1,413,582	\$1,509,176	\$1,573,973
TN	Memphis	\$3,511,669	\$3,336,086	\$3,169,282
TN	Nashville-Davidson	\$942,082	\$1,005,791	\$1,048,975
TN	Tennessee	\$963,180	\$1,028,316	\$1,072,467
TX	Austin	\$1,138,204	\$1,215,176	\$1,267,350
TX	Dallas	\$6,409,124	\$6,088,668	\$5,820,388
TX	El Paso	\$381,786	\$407,604	\$425,105
TX	Fort Worth	\$1,032,529	\$1,102,354	\$1,149,684
TX	Houston	\$9,639,531	\$9,157,554	\$8,699,676
TX	San Antonio	\$1,244,429	\$1,328,584	\$1,385,627
TX	Texas	\$3,032,825	\$3,237,921	\$3,376,941
UT	Salt Lake City	\$365,825	\$390,564	\$407,333
UT	Utah	\$153,375	\$163,747	\$170,777

Housing Opportunities for Persons With AIDS

State	Eligible	2016 Formula (Original) Actual	2017 Formula (HOTMA) Estimate	2018 Formula (HOTMA) Estimate
VA	Richmond	\$813,475	\$868,487	\$905,776
VA	Virginia Beach	\$1,180,789	\$1,260,640	\$1,314,766
VA	Virginia	\$745,593	\$796,014	\$830,191
WA	Seattle	\$1,783,626	\$1,904,245	\$1,986,004
WA	Washington	\$740,640	\$790,726	\$824,676
WI	Milwaukee	\$595,704	\$635,989	\$663,295
WI	Wisconsin	\$475,719	\$507,890	\$529,696
WV	West Virginia	\$351,515	\$375,286	\$391,399
Total Formula Grants		\$301,500,000	\$300,926,849	\$297,000,000
Total Competitive Grants		\$33,500,000	\$33,436,316	\$33,000,000
Total HOPWA		\$350,000,000	\$334,363,165	\$330,000,000

Housing Opportunities for Persons With AIDS

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Formula Grants	\$301,500	\$96,755	\$398,255	\$308,529	\$300,927	\$89,699	\$390,626	\$297,000
Competitive Grants	33,500	7,831	41,331	31,735	33,436	9,596	43,032	33,000
Technical Assistance ..	...	4	4	4	...	...	...	...
DOJ HOPWA IAA .....	...	<u>1,490</u>	<u>1,490</u>	<u>1,490</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
Total	335,000	106,080	441,080	341,758	334,363	99,295	433,658	330,000

NOTE: The 2016 Carryover into 2017 column excludes \$27.5 thousand of expired 2015/2016 formula funds.

Housing Opportunities for Persons With AIDS

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

The fiscal year 2018 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, 2019, except that amounts allocated pursuant to section 854(c)(5) of such Act shall remain available until September 30, 2020: 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 (before 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 2017 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, 2017 (P.L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

Housing Opportunities for Persons With AIDS

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**COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT FUND
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

COMMUNITY DEVELOPMENT FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2016 Appropriation	\$3,360,000 ^a	\$9,021,615	\$500,000	\$12,881,615	\$4,865,463	\$6,013,864
2017 Annualized CR	3,060,000	8,014,329 ^b	1,800,159 ^c	12,874,488	12,252,246	6,553,286
2018 Request .....	...	<u>622,242</u>	...	<u>622,242</u>	<u>615,000</u>	<u>6,819,158</u>
Change from 2017	-3,060,000	-7,392,087	-1,800,159	-12,252,246	-11,637,246	+265,872

- a/ The Consolidated Appropriations Act, 2016 (P.L. 114-13) provided \$300 million for disaster recovery.
- b/ \$1.8 million in unobligated balances for administrative costs related to disaster-related funds was transferred to the Program Office Salaries and Expenses, Community Planning and Development account, as authorized by Section 145(b) of Public Law 114-223.
- c/ The Continuing Resolution, Public Law 114-254, required a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent. Section 192 of the Continuing Resolution also provided an additional \$1.8 billion to support disaster recovery needs.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The fiscal year 2018 President’s Budget does not request funding for the Community Development Block Grant (CDBG) or Indian Community Development Block Grant (ICDBG), a savings of roughly \$3 billion from the fiscal year 2017 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 devolves 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 help develop viable American Indian and Alaska Native Communities with decent housing, a suitable living environment, and economic opportunities, primarily for low- and moderate-income persons. The 2018 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.

The Department will continue to administer the 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 Development Fund

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Entitlement/Non-Entitlement	\$2,993,000	\$856,891	\$3,849,891	\$3,068,751	\$2,987,310	\$780,887	\$3,768,197	...
Insular Area CDBG Program	7,000	5,972	12,972	5,972	6,987	7,000	13,987	...
Indian Tribes	60,000	63,416	123,416	119,282	59,886	4,135	64,021	...
Special Purpose (Section 107) Grants .	...	535	535	...	...	535	535	...
Administration, Operations, and Management for Disasters .....	...	2,244	2,244	428	...	...	...	...
Economic Development Initiative Grants ....	...	324	324	...	...	327	327	...
Economic Resilience ...	...	15	15	...	...	15	15	...
Disaster Assistance ...	800,000	8,091,987	8,891,987	1,670,958	1,805,976	7,221,268	9,027,244	...
Section 805 Economic Development training .	...	<u>231</u>	<u>231</u>	<u>72</u>	...	<u>162</u>	<u>162</u>	...
Total	3,860,000	9,021,615	12,881,615	4,865,463	4,860,159	8,014,329	12,874,488	...

**HOME INVESTMENT PARTNERSHIPS PROGRAM
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

HOME INVESTMENT PARTNERSHIPS PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$950,000	\$244,252 ^a	...	\$1,194,252	\$961,138	\$1,153,947
2017 Annualized CR	950,000	231,860	-\$1,806 ^{b/}	1,180,054	1,027,388	968,621
2018 Request .....	...	<u>152,666</u>	...	<u>152,666</u>	<u>152,666</u>	<u>948,620</u>
Change from 2017	-950,000	-79,194	+1,806	-1,027,388	-874,722	-20,001

a/ This number includes \$9.348 million of grant funds recaptured in fiscal year 2016.

b/ The Continuing Resolution, Public Law 114-254, required a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The fiscal year 2018 Budget does not request funding for the HOME Investment Partnerships Program, and devolves affordable housing activities to State and local governments. Since 1992, the HOME Program has provided formula grants to States and units of general local government to acquire, rehabilitate and construct affordable housing and provide rental assistance for low- and very low-income households.

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. There are currently \$2.9 billion of undisbursed HOME funds from fiscal year 2016 and earlier grants. Fiscal year 2016 grant funds are available for expenditure until September 30, 2024. There are approximately 25,400 rental projects containing 282,800 units and 11,500 homebuyer units that are currently under compliance agreements, in addition to many new projects that are currently underway and 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.

HOME Investment Partnerships Program

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Formula Grants	\$948,100	\$243,808	\$1,191,908	\$959,238	\$946,298	\$231,416	\$1,177,714	...
Insular Areas	1,900	...	1,900	1,900	1,896	...	1,896	...
HOME/CHDO Technical Assistance .....	...	102	102	...	...	102	102	...
Management Information Systems .....	...	338	338	...	...	338	338	...
Housing Counsel .....	...	4	4	...	...	4	4	...
Total	950,000	244,252	1,194,252	961,138	948,194	231,860	1,180,054	...

NOTES: The 2015 Carryover Into 2016 column includes approximately \$9.348 million of formula grant funds recaptured in fiscal year 2016.

The 2016 Carryover into 2017 Column excludes \$1.2 million of 2014/2016 funds that expired at the end of fiscal year 2016.

**COMMUNITY PLANNING AND DEVELOPMENT
 SELF-HELP AND ASSISTED HOMEOWNERSHIP OPPORTUNITY PROGRAM
 2018 Summary Statement and Initiatives
 (Dollars in Thousands)**

SELF-HELP AND ASSISTED HOMEOWNERSHIP OPPORTUNITY PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$55,700	\$49,977	...	\$105,677	\$49,977	\$53,959
2017 Annualized CR	55,700	55,700	-\$106 ^a	111,294	56,000	50,152
2018 Request .....	...	<u>61,294</u>	...	<u>61,294</u>	<u>56,000</u>	<u>48,000</u>
Change from 2017	-55,700	+5,594	+106	-50,000	...	-2,152

a/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The Self-Help Homeownership Opportunity Program (SHOP) account includes funding for SHOP, Capacity Building for Community Development and Affordable Housing (Section 4), rural capacity building, and a pilot home modification and rehabilitation program for disabled and low-income veterans. The fiscal year 2018 budget proposes to eliminate this account and direct Federal resources to other activities. State and local governments are better positioned to serve their communities based on local needs and priorities. The programs are also duplicative or overlap with other Federal, State and local efforts.

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.

Self-Help Homeownership Opportunity Program

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

Self-Help Homeownership Opportunity Program

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Self-Help and Assisted Homeownership								
Opportunity Program ..	\$10,000	\$9,977	\$19,977	\$9,977	\$9,981	\$10,000	\$19,981	...
Capacity Building	35,000	35,000	70,000	35,000	34,933	35,000	69,933	...
Rural Capacity Building	5,000	5,000	10,000	5,000	4,991	5,000	9,991	...
Veterans Home Rehabilitation Pilot								
Program	<u>5,700</u>	<u>...</u>	<u>5,700</u>	<u>...</u>	<u>5,689</u>	<u>5,700</u>	<u>11,389</u>	<u>...</u>
Total	55,700	49,977	105,677	49,977	55,594	55,700	111,294	...

**COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

HOMELESS ASSISTANCE GRANTS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$2,250,000	\$2,070,208 ^a	...	\$4,320,208	\$2,137,079	\$1,887,308
2017 Annualized CR	2,250,000	2,252,651 ^b	-\$4,277 ^d	4,498,374	2,254,332	2,124,000
2018 Request	<u>2,250,000</u>	<u>2,257,042^c</u>	...	<u>4,507,042</u>	<u>2,270,447</u>	<u>2,267,000</u>
Change from 2017 .....	...	+4,391	+4,277	+8,668	+16,115	+143,000

- a/ This number includes \$10.4 million of funds recaptured from prior year obligations in fiscal year 2015.
- b/ This number includes \$16 million in fiscal year 2017 recaptures.
- c/ This number includes \$13 million in anticipated fiscal year 2018 recaptures.
- d/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The fiscal year 2018 President’s Budget requests \$2.250 billion for Homeless Assistance Grants (HAG). This request includes \$1.988 billion for the Continuum of Care (CoC) Program, which serves over 750,000 people experiencing homelessness each year; \$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. This program is key to addressing homelessness nationwide, particularly chronic homelessness among individuals, which has declined by 27 percent between 2010 and 2016.¹

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 2018 Budget includes legislative language to 1) allow CoC grantees to receive one-year transition grants to transition from one CoC program component to another and 2) allow CoC grantees to use program income toward meeting match requirements.

¹ Department of Housing and Urban Development. The 2016 Annual Homeless Assessment Report to Congress, Part 1.

Homeless Assistance Grants

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 or who are service-resistant;
- rapid re-housing to provide time-limited permanent housing and stabilization services; and
- homelessness prevention for individuals and families.

Continuum of Care Program (\$1.988 billion)

The Continuum of Care (CoC) Program is HUD's largest program targeted to men, women, and children experiencing homelessness. Funds are awarded to nearly 7,600 projects through a national competition. In the FY 2016 CoC Program competition, approximately 90 percent of those projects were renewals (see description of renewal demand on page 3).

CoC Program funds can be used for:

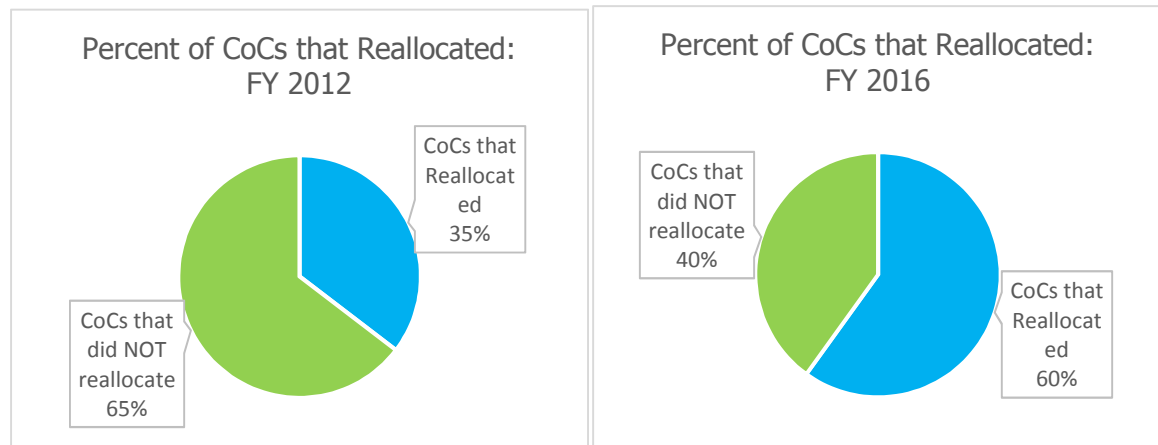
- transitional housing to help individuals and families move to stability within 2 years;
- rapid re-housing to provide time-limited permanent housing and stabilization services;
- permanent supportive housing for homeless people with disabilities;
- support services to help identify and maintain permanent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

Homeless Assistance Grants

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. An increasing share of CoCs are reallocating projects – from 35

percent of CoCs reallocating in fiscal year 2012 to 60 percent in fiscal year 2016 – creating new permanent housing inventory, including 6,756 new beds that are all dedicated to persons experiencing chronic homelessness and 8,062 new rapid rehousing beds that are primarily focused on serving families with children.

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



Fiscal Year 2016 Funding Requests

(Dollars in Millions)

	Requested	Awarded
Total Projects	8,088	7,593
Total Amount (\$)	\$2,033.8	\$1,953.2
CoC Planning and UFA Cost Applications	358	358
CoC Planning and UFA Cost Amount (\$)	\$52.3	\$52.2
New Applications	1,009	679
New Amount (\$)	\$207.5	\$138.6
Renewal Applications	6,721	6,556
Renewal Amount (\$)	\$1,774.0	\$1,762.5

Homeless Assistance Grants

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.

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, 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.

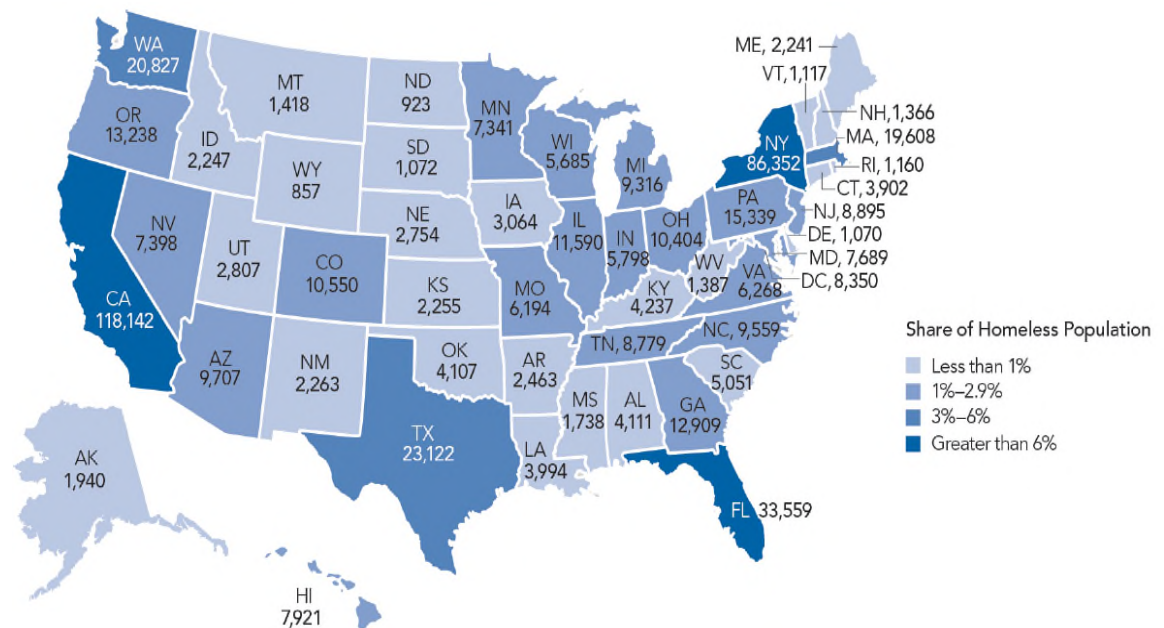
Congress charged HUD with “taking the lead on data collection” on homelessness (House Report accompanying the fiscal year 2001 appropriations (106-988)). HMIS has grown to include other federal partners—in 2011, both VA and HHS committed to requiring HMIS to be used by their grantees—thereby streamlining 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 550,000 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 continues to decline. The number of people experiencing homelessness on a single night decreased by 3 percent between 2015 and 2016: from 564,708 in January 2015 to 549,928 in January 2016. Roughly 1.48 million people spent at least 1 night in an emergency shelter or transitional housing program during the 2015 AHAR reporting period, a 6.8 percent decrease from 2010.

To track progress on efforts to end homelessness, HUD uses the 2016 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 2016

² Part 1 of the 2016 AHAR can be accessed online at <https://www.hudexchange.info/resource/5178/2016-ahar-part-1-pit-estimates-of-homelessness/> and Part 2 of the 2015 AHAR can be accessed online at <https://www.hudexchange.info/resource/5162/2015-ahar-part-2-estimates-of-homelessness/>.

Homeless Assistance Grants

Annual Homeless Assessment Report to Congress: Point-in-Time Estimates of Homelessness show the progress in reducing homelessness among these three groups.

EXHIBIT 5.1: PIT Estimates of Homeless Veterans By Sheltered Status, 2009–2016

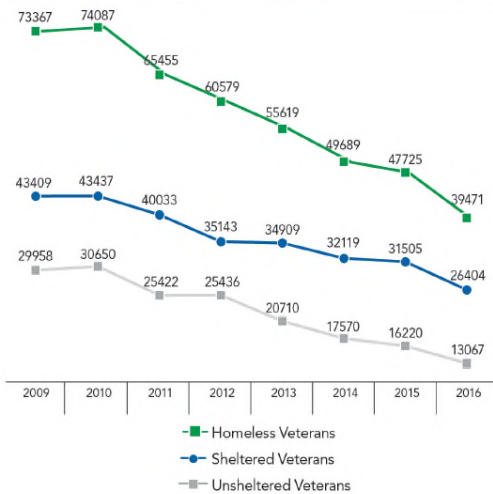


EXHIBIT 6.1: PIT Estimates of Chronically Homeless Individuals By Sheltered Status, 2007–2016

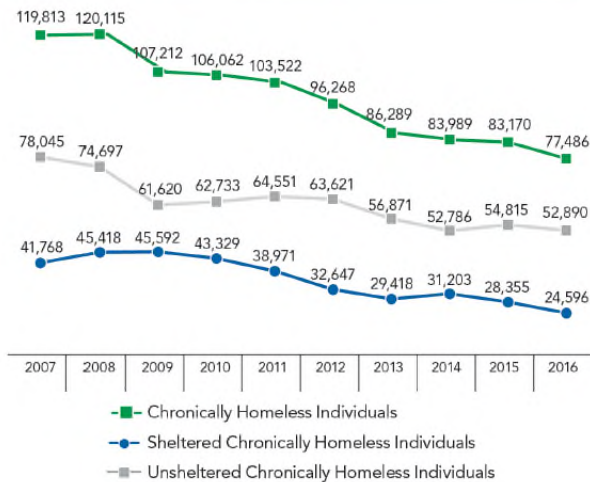
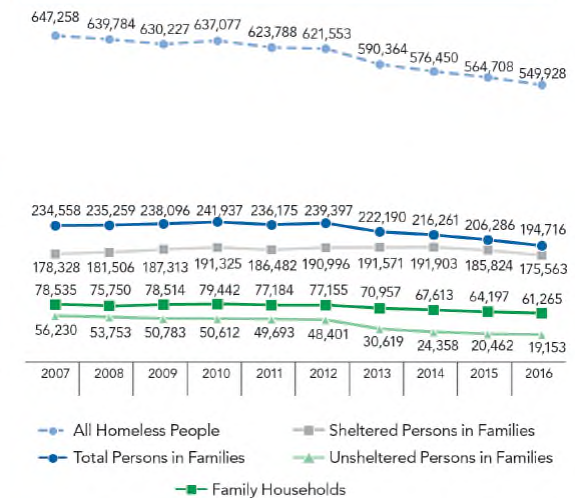


EXHIBIT 3.1: PIT Estimates of Homeless People in Families with Children By Sheltered Status, 2007–2016



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 are required to conduct a gaps analysis each year, 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;

Homeless Assistance Grants

- 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.

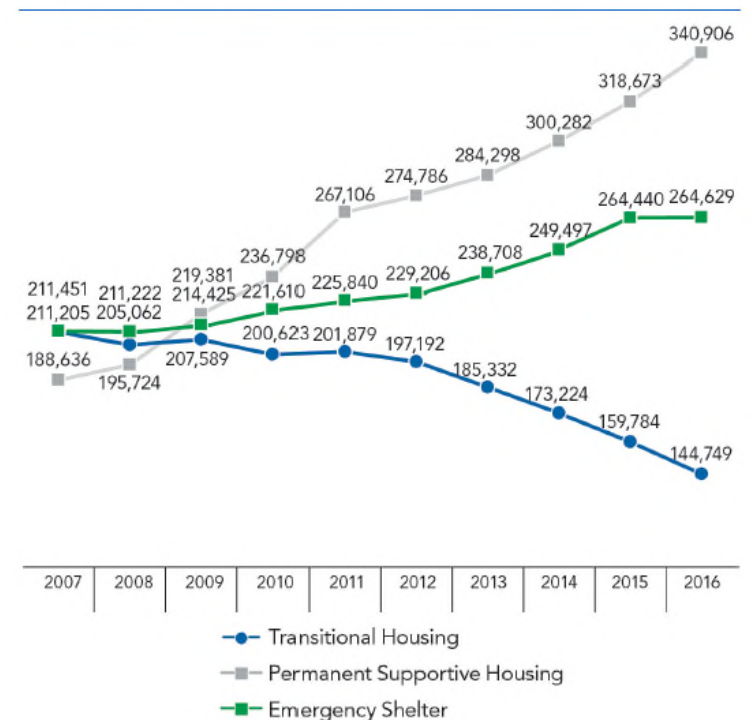
For over 15 years, HUD has prioritized permanent supportive housing, which serves people with the highest levels of housing and service needs, especially people experiencing chronic homelessness. In fiscal year 2016, HUD allocated over \$1.43 billion--73 percent of its competitive funds--to permanent 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, especially for families with children.

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: For several years, HUD has focused its resources on the hardest to serve population by offering bonuses and other incentives to communities in its annual NOFA. As shown in the chart from the *2016 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. The increased availability of permanent supportive housing led to the 27 percent decrease in the number of chronically homeless persons between 2010 and 2016.

EXHIBIT 7.1: Inventory of Beds for Homeless and Formerly Homeless People 2007–2016



Homeless Assistance Grants

Homeless Veterans: HUD is committed to ending veteran homelessness. The targeted programs funded through the Homeless Assistance Grants account play an important role in achieving this goal. 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: Over 177,000 HUD-funded beds across the country were serving persons in homeless families at the beginning of 2016. In the fiscal year 2015 CoC Program competition, HUD funded over 36,000 new rapid re-housing beds that were targeted to homeless families with children. Beginning in 2014, HUD requested that communities report their data on beds dedicated to serve homeless youth up through age 24. HUD learned that it funds over 9,600 beds that are dedicated to serve homeless youth. Many more youth are served in adult and family programs that do not necessarily set beds aside for youth.

Key Partners and Stakeholders

HUD Collaboration with Department of Veterans Affairs

HUD and the Department of Veterans Affairs (VA) have the joint goal of ending homelessness among veterans and have implemented joint planning efforts related to data collection and reporting and partnered to develop milestones and strategies to meet the goal of ending homelessness among veterans. HUD and the VA have successfully collaborated to administer HUD-VASH, resulting in over 127,000 veterans being housed since 2008. As part of these joint efforts, HUD and the VA collaborated on an evaluation of the Veterans Homelessness Prevention Demonstration³, that identified better outreach strategies and improved service delivery for this population.

HUD Collaboration with Health and Human Services

HUD and the Department of Health and Human Services (HHS) share the joint goal of ending homelessness among children, families, and youth. Currently, HUD and HHS are collaborating with the U.S. Interagency Council on Homelessness (USICH) to further develop and promote a national framework to end family and youth homelessness. In addition to these efforts, HUD, in coordination with HHS, is providing assistance to communities to reduce duplication of healthcare services by ensuring that homeless assistance is coordinated with state Medicaid programs and other mainstream healthcare initiatives.

³ Cunningham, Mary et al. 2015. [Veterans Homelessness Prevention Demonstration Evaluation Final Report](#).

Homeless Assistance Grants

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. For example, one study⁴ 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.⁵ 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.⁶ Studies have also found that supportive housing improves housing stability and reduces emergency department and inpatient services.⁷

The following map 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.

⁴Culhane, 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.

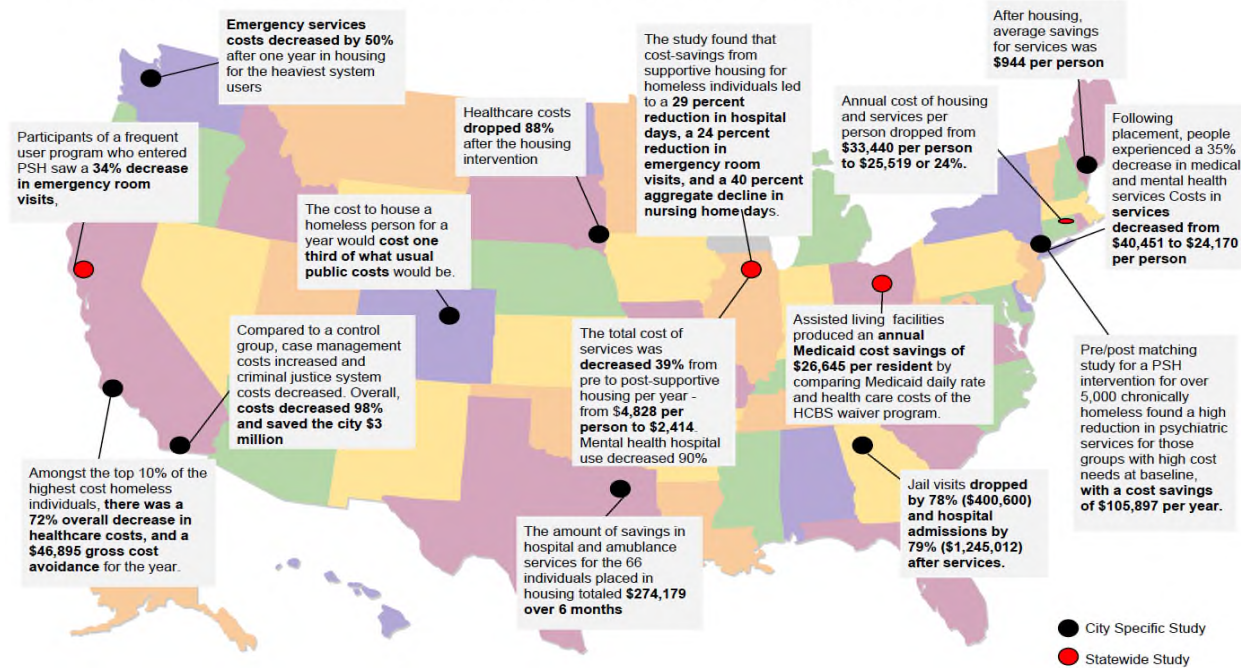
⁵ Basu, Anirban, Romina Kee, David Buchanan, and Laura S. Sadowski. 2012. "Comparative Cost Analysis of Housing and Case Management Program For Chronically Ill Homeless Adults Compared to Usual Care." *HSR* 47(1): 523-543; Sadowski, Laura, Romina Kee, Tyler VanderWeele, David Buchanan. 2009. "Effect 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.

⁶ 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.

⁷ 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.

Homeless Assistance Grants

Health Cost Savings Studies - Permanent Supportive Housing

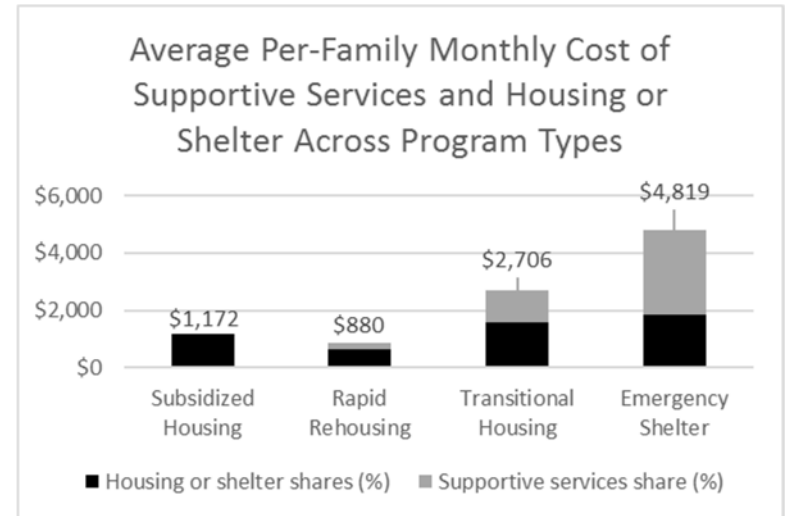


GAO reports identify opportunities to improve outreach to women veterans and to improve coordination across federal agencies that are members of the U.S. Interagency Council on Homelessness.⁸ HUD is also engaged in several efforts to improve interagency coordination, as well as a number of evaluations 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:

⁸ 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

Homeless Assistance Grants

- 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

Homeless Assistance Grants

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.

Plans to Increase Efficiency

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

Homeless Assistance Grants

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.

Homeless Assistance Grants

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Continuum of Care	\$1,935,000	\$1,980,483	\$3,915,483	\$1,824,254	\$1,968,723	\$2,159,329	\$4,128,052	\$1,988,000
Emergency Solutions Grants	270,000	73,802	343,802	285,146	270,000	60,251	330,251	255,000
National Homeless Data Analysis Project	7,000	7,000	14,000	14,000	7,000	...	7,000	7,000
Youth Demonstration ...	33,000	...	33,000	...	...	33,000	33,000	...
Youth Technical Assistance	5,000	...	5,000	5,000	...	...	...	...
Technical Assistance ..	...	173	173	...	...	...	...	...
Pay for Success Demonstration .....	...	<u>8,750</u>	<u>8,750</u>	<u>8,679</u>	...	<u>71</u>	<u>71</u>	...
Total	2,250,000	2,070,208	4,320,208	2,137,079	2,245,723	2,252,651	4,498,374	2,250,000

NOTES

- a. In the 2015 Carryover Into 2016 column, the Continuum of Care set-aside includes \$10.4 million in fiscal year 2015 recaptures.
- b. The Continuum of Care 2016 Carryover Into 2017 column includes \$16 million in anticipated recaptures.

**COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
Appropriations Language**

The fiscal year 2018 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, \$2,250,000,000, to remain available until September 30, 2020: 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 \$250,000,000 of the funds appropriated under this heading shall be available for such Emergency Solutions Grants program: Provided further, That not less than \$1,980,000,000 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 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 2018: 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

Homeless Assistance Grants

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 2017 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, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

**COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT LOAN GUARANTEE
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

COMMUNITY DEVELOPMENT LOAN GUARANTEE	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation .....	...^a	...	...	...	...	\$2,390 ^b
2017 Annualized CR .....	...^a	...	...	...	...	3,595 ^b
2018 Request	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>2,600^b</u>
Change from 2017 .....	...	...	...	...	...	-995

a/ No credit subsidy budget authority was requested since the program moved to a fee-based program.

b/ Obligations and outlays of discretionary appropriated funds only—does not include mandatory re-estimate of \$489K.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The Department is not requesting loan guarantee authority for the Community Development Loan Guarantee program, also known as the Section 108 program. The Section 108 program historically has provided federal guarantees to private lenders to assist communities in undertaking large community or economic development projects. This program is linked to the Community Development Block Grant (CDBG) Program with respect to programmatic requirements and as a source of collateral. The Budget does not request funding for CDBG in fiscal year 2018, and devolves community and economic development activities to the State and local level.

Currently, the Section 108 program supports 714 outstanding loans in communities across the country, with a total loan balance of \$1.51 billion and oversight responsibilities that may extend up to twenty-five years into the future. Even though the budget does not request new guarantee authority, the Section 108 office must continue to execute strong management and oversight on the outstanding portfolio to avoid unnecessary risks and cost to the taxpayer.

Community Development Loan Guarantee

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Loan Guarantee Subsidy	...	...	...	...	...	...	...	...
Loan Commitment Level	[\$300,000]	...	[\$300,000]	...	[\$299,430]	...	[\$299,430]	...
Total	[300,000]	...	[300,000]	...	[299,430]	...	[299,430]	...

NOTE: In 2016 and 2017, the program uses a fee-based approach established by the appropriations acts. In fiscal year 2017, the loan commitment level is estimated at \$150 million. The 2018 Budget does not request loan guarantee commitment authority or credit subsidy.

**COMMUNITY PLANNING AND DEVELOPMENT
HOUSING TRUST FUND
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

HOUSING TRUST FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$186,257	...	-\$12,665 ^a	\$173,592	\$3,000	...
2017 Annualized CR	221,768	\$170,592	-2,637 ^b	389,723	191,176	\$17,815
2018 Request .....	...	<u>198,547</u>	<u>15,302</u>	<u>213,849</u>	<u>213,849</u>	<u>64,553</u>
Change from 2017	-221,768	+27,955	+17,939	-175,874	+22,673	+46,738

a/ Sequestered funds (6.8% of Budget Authority (\$12.665 million)) made temporarily unavailable, consistent with the OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2016 and the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

b/ This number consists of sequestered funds (6.9% 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 and the \$12.665 million sequestered from fiscal year 2016 that became available in fiscal year 2017.

1. Program Purpose and Fiscal Year 2018 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 the development, rehabilitation, and preservation of affordable housing for extremely low-income (ELI) households, and began operations in fiscal year 2016.

The 2018 Budget proposes to eliminate the assessments on Fannie Mae and Freddie Mac, discontinue funding the Housing Trust Fund, and devolves affordable housing activities to State 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.

Housing Trust Fund

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Formula Grants	<u>\$173,592</u>	...	<u>\$173,592</u>	<u>\$3,000</u>	<u>\$219,131</u>	<u>\$170,592</u>	<u>\$389,723</u>	...
Total	173,592	...	173,592	3,000	219,131	170,592	389,723	...

**HOUSING
PROJECT-BASED RENTAL ASSISTANCE
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

PROJECT-BASED RENTAL ASSISTANCE	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2016 Appropriation	\$10,620,000	\$471,140	...	\$11,091,140 ^a	\$10,679,677	\$10,667,522
2017 Annualized CR	10,620,000	523,980	-\$20,189	11,123,791 ^b	11,123,791	10,764,000
2018 Request	<u>10,751,100</u>	<u>139,000</u>	...	<u>10,890,100^c</u>	<u>10,890,100</u>	<u>10,941,000</u>
Change from 2017	+131,100	-384,980	+20,189	-233,691	-233,691	+177,000

- a/ Resources, obligations and outlays for 2016 Appropriation include \$328 million in unobligated funds, and \$58.7 million from recaptures realized in fiscal year 2016. It includes \$43.6 million transferred from the Public Housing Operating Fund and Capital Fund for the Rental Assistance Demonstration (RAD), and \$40.8 million from Other Assisted Housing for RAD conversions.
- b/ Resources, obligations and outlays for 2017 Annualized Appropriation include an estimated \$62.5 million transfer from the Public Housing Operating Fund and Capital Fund for RAD conversions, and \$30 million transferred from Other Assisted Housing for RAD conversions. Carryover also includes an estimated \$20 million of unobligated balances to be transferred to PBRA from Other Assisted Housing for RAD conversions. Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent (reflected in the \$20.2 million reduction in the "Supplemental/Rescission" column).
- c/ Resources, obligations and outlays for the 2018 Request exclude an estimated \$125 million transfer from the Public Housing Operating Fund and Capital Fund for RAD conversions, and \$14 million transferred from Other Assisted Housing for RAD conversions.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The Department requests a total of \$10.751 billion to meet Section 8 Project-Based Rental Assistance (PBRA) program needs for fiscal year 2018. This includes \$10.035 billion for renewals and \$431 million for amendments, as well as \$285 million for Performance-Based Contract Administration. The total requested funding level for fiscal year 2018 is \$151 million more than the fiscal year 2017 Annualized CR level of \$10.600 billion. The funding request reflects a set of policies, described further below, that reduce costs while continuing to assist current residents; these policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms. The request also provides 12 months of funding for all contracts in the portfolio, and with the 2017 Enacted bill, is sufficient to fund those contracts through the calendar year. 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 Rental Assistance

- 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 - \$10.466 billion

The Department's fiscal year 2018 request provides for 12 months of renewal funding for over 16,000 Section 8 contracts. In fiscal year 2017, HUD is completing the transition to the calendar year funding methodology, which resulted in a one-time reduction of renewal funding needs. A small portion of the portfolio will receive less than 12 months of funding in 2017 to conform to the new calendar year model. In fiscal year 2018, the Department will return to a full 12-month funding baseline for all contracts, representing a significant increase in baseline renewal needs. However, savings initiatives planned for fiscal year 2018, as described in Section 3, will allow for annual funding of all renewal contracts and the continuation of rental assistance for same number of units currently served, with only a modest increase over 2017 CR levels.

The PBRA request includes renewal funding for public housing properties that converted to PBRA in 2013 through 2016 through the Rental Assistance Demonstration (RAD). HUD will continue the conversion of some Public Housing to long-term Section 8 contracts in 2018 under the RAD program. The request also includes renewal funding for Rent Supplement (RS) and Rental Assistance Payment (RAP) properties converting to PBRA in 2017 under the second component of RAD (under authority provided in the 2015 Appropriations Act).

The need for Section 8 Amendment funds results funding needs for long-term project-based contracts executed primarily in the 1970's and 1980's. 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 - \$285 million

The Department proposes up to \$285 million for Performance-Based Contract Administrators (PBCAs) in fiscal year 2018, which will be combined with funds recaptured in the Housing Certificate Fund to fully support this activity. These contract administrators are responsible for conducting on-site management reviews of assisted properties; adjusting contract rents; and reviewing, processing, and paying monthly vouchers submitted by owners. PBCAs are integral to the Department's efforts to be more effective and efficient in the oversight and monitoring of this program. This request estimates for the program reflects the cost of extending current PBCA contracts for a portion of fiscal year 2018, as well as the execution of new cost-saving contracts competed in accordance with Federal Acquisition Regulations (FAR).

Tenant Education and Outreach Activities – up to \$3 million

In fiscal year 2018, 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 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: 2015 Report to Congress* reveals that among very low-income renter households that lacked assistance, 7.7 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. From 2003-2013, worst case needs have increased by 49 percent as public-sector housing assistance and private-sector housing development have substantially failed to keep up with the growing demand for affordable rental housing.

Project-Based Rental Assistance

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

PBRA supports a stock of long-term affordable rental housing for the lowest-income American families. This is increasingly important, as 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 41.7 percent of very low-income renters had worst case housing needs in 2013. Only 65 affordable units are available nationwide per 100 very low-income renters, and 39 units per 100 extremely low-income renters. 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 9.8 percent in 2011 and 8.4 percent in 2013¹. Without project-based rental assistance, the gap in affordable and available rental housing would worsen further to as few as 59 units per 100 very low-income renters and 31 units per 100 extremely low-income renters.

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

¹ Worst Case Housing Needs: 2015 Report to Congress: https://www.huduser.gov/portal/publications/affhsg/wc_HsgNeeds15.html

Project-Based Rental Assistance

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 18 percent between 2003 and 2013 (from 15.7 to 18.5 million households) while the number of affordable units for these renters *decreased* by 10 percent (from 20.0 to 18.0 million units). 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.

Cross-cutting Rent Reform Proposals

The Budget proposes a set of policies in its core rental assistance programs to reduce costs while at the same time continuing to assist current residents, encouraging work, and promoting self-sufficiency. They also seek to provide administrative flexibilities and to streamline the complex and administratively burdensome calculation of income and rent. These policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms for 2019. Changes to PBRA included in the 2018 President's Budget include:

- An increase in the tenant contribution toward rent from 30 percent of adjusted income to up to 35 percent of gross income (i.e., income adjusted by exclusions but not deductions). Hardship exemptions, as defined by the Secretary, will be available for tenants. Note: The Department will implement this provision as a pilot in PBRA, 202, and 811 in 2018; it does not plan to implement this in the Public Housing or HCV programs in 2018.
- Establishing minimum tenant rental payments of \$50 per month, with hardship exemptions.
- Elimination of utility reimbursement payments to tenants, sometime referred to as "negative rents." These payments have occurred when tenant-paid utility costs exceeded the minimum rent due. Hardship exemptions, as defined by the Secretary, will be available for tenants.
- A one-year freeze on annual rent adjustment increases, which may include those made using an annual operating cost adjustment factor, annual adjustment factor, budget based rent increase, or updated market rent study.

Project-Based Rental Assistance

General Provisions

The President's budget proposes the following General Provisions for Project-Based Rental Assistance:

- 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).
- Raising rent contributions to 35% of gross rents (Sec. 226).
- Establishing a minimum rent of \$50 (Sec. 227).
- Elimination of utility allowance reimbursements (Sec. 228).
- Freeze on rent adjustment increases (Sec. 229).
- Section 579 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (42 U.S.C. 1437f note) is amended. (Sec. 234)

Project-Based Rental Assistance

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Contract Renewals and Amendments	\$10,109,000	\$259,669	\$10,368,669	\$10,136,910	\$10,111,741	\$275,554	\$10,387,295	\$10,466,000
Contract Administrators	215,000	33,376	248,376	241,850	234,553	6,526	241,079	285,100
Tenant Resources								
Network	3,000	1,070	4,070	3,930	3,992	...	3,992	...
Vouchers for Disaster Relief - (P.L. 111-32) .....	...	650	650	...	...	650	650	...
Rental Assistance Demonstration .....	...	84,440	84,440	63,582	...	133,375	133,375	...
Mod Rehab and SRO Renewals	293,000	91,935	384,935	233,405	249,525	107,875	357,400	...
Research and Technology (transfer) .....	...	...	...	...	...	...	...	...
Total	10,620,000	471,140	11,091,140	10,679,677	10,599,811	523,980	11,123,791	10,751,100

NOTES: Total resources for 2016 Total Resources includes \$328 million in unobligated funds, and \$58.7 million from recaptures realized in fiscal year 2016. It includes \$43.6 million transferred from the Public Housing Operating Fund and Capital Fund for the Rental Assistance Demonstration (RAD), and \$40.8 million from Other Assisted Housing for RAD conversions.

Total resources for 2017 Total Resources include an estimated \$62.5 million transfer from the Public Housing Operating Fund and Capital Fund for RAD conversions, and \$30 million transferred from Other Assisted Housing for RAD conversions. Carryover also includes an estimated \$20 million of unobligated balances to be transferred to PBRA from Other Assisted Housing for RAD conversions and \$20.8 million of unobligated PBRA RAD funds. Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

Resources for the 2018 Request anticipate an estimated \$125 million transfer from the Public Housing Operating Fund and Capital Fund for RAD conversions, and \$14 million transferred from Other Assisted Housing for RAD conversions. When added to the President's request, total resources will be \$10.890 billion. Of this amount, up to \$3 million may be used for Tenant Resource Network.

Project-Based Rental Assistance

HOUSING PROJECT-BASED RENTAL ASSISTANCE Appropriations Language

The fiscal year 2018 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, \$10,351,100,000, to remain available until September 30, 2020, shall be available on October 1, 2017 (in addition to the \$400,000,000 previously appropriated under this heading that became available October 1, 2017), and \$400,000,000, to remain available until September 30, 2021, shall be available on October 1, 2018: 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 for section 8 project-based assistance, for carrying out 42 U.S.C. 1437(f): Provided further, That the Secretary of Housing and Urban Development may also use such amounts in the previous proviso for performance-based contract administrators 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, notwithstanding the purposes for which such amounts were appropriated: Provided further, That, notwithstanding any other provision of law, upon the request of the Secretary of Housing and Urban Development, 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

Project-Based Rental Assistance

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.

Note.—A full-year 2017 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, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

**HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

HOUSING FOR THE ELDERLY (SECTION 202)	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$432,700	\$162,955 ^{a/}	...	\$595,655	\$436,801	\$721,472
2017 Annualized CR	432,700	158,954 ^{b/}	-\$823 ^{c/}	590,831	574,000	694,000
2018 Request	<u>510,000</u>	<u>17,554</u>	...	<u>527,554</u>	<u>485,000</u>	<u>661,000</u>
Change from 2017	+77,300	-141,400	+823	-63,277	-89,000	-33,000

a/ Amount includes \$9.4 million in spending authority from offsetting collections.

b/ Amount excludes \$96 thousand that expired at the end of fiscal year 2016. It also includes an estimated \$1.1 million in collections.

c/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The fiscal year 2018 President’s Budget requests \$510 million for the Housing for the Elderly program, \$78 million more than the fiscal year 2017 Annualized CR level. The Department’s request will fund three ongoing activities within the Housing for the Elderly (Section 202) program:

- \$417 million to fully fund Project Rental Assistance Contracts (PRAC) and Senior Preservation 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 fiscal year 2016, the fiscal year 2018 budget must support over 10,000 additional PRAC units that have required, or will require, renewal or amendment funding for the very first time. This additional unit demand coupled with increased project operating costs results in a very significant increase in fiscal year 2018 program needs relative to fiscal year 2016. However, the

Housing for the Elderly (Section 202)

savings measures proposed in the Budget as the initial steps towards holistic rental reform, as described below, will support full funding in fiscal year 2018 at the requested level while supporting current residents. If any funds are recaptured from Service Coordinator/Congregate Housing Services grants, those would be available for PRAC renewals.

The funding request reflects a set of policies, described further below, that reduce costs while continuing to assist current residents; these policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms.

2. Request

The Supportive 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 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, others 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 persons at least 62 years of age at the time of initial occupancy, 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 \$13,300¹.

Requested account language will enable the Department to use collections of excess residual receipts, recaptures, and unobligated balances to supplement the requested appropriations for service coordinators, renewals, and amendments, as needed. In addition, in recognition that funding needs may evolve under the proposed savings measures, the account language allows for transfers between the Housing for the Elderly and Housing for Persons with Disabilities account.

The program request supports two primary areas of activity:

Project Rental Assistance Contracts (PRAC)

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

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

Housing for the Elderly (Section 202)

terms were reduced to 5 years in fiscal year 1995 and further reduced to 3 years in fiscal year 2006. As the initial contracts begin to expire, the rental assistance is renewed on a 1-year basis with funding from the PRAC Renewal/Amendment component. Key cost drivers for PRAC and SPRAC renewals are a combination of the new units entering the renewal portfolio for the first time and increasing operating costs within the program. In fiscal year 2018 over 5,800 units will be renewing for the first time. HUD is assuming a 2.5 percent inflation factor for fiscal year 2018.

Service Coordinators/Congregate Housing Services Program (CHSP)

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

Today, HUD is only able to provide assisted housing to one in three seniors who qualify. Based on a report from Harvard's Joint Center for Housing Studies, that ratio will only get worse over time – particularly 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: 2015 Report to Congress* reveals that among very low-income renter households that lacked assistance in 2013, 7.7 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. Almost 1.5 million households headed by an elderly person had worst case housing needs in 2013. The number of elderly very low-income renters increased by 21 percent between 2003 and 2013, and the number with worst case needs increased even more rapidly, by 31 percent.

Housing for the Elderly (Section 202)

An estimated 38 percent of all residents currently living in Section 202 properties could be considered “frail” or “near-frail.” However, often with the assistance of service coordinators, most 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.

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’s 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 2018, 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 elderly persons with disabilities. 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

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.

Housing for the Elderly (Section 202)

community. In the most recent progress report of the HHS' program, twenty 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.

Cross-cutting Rent Reform Proposals

The Budget proposes a set of policies in its core rental assistance programs to reduce costs while at the same time continuing to assist current residents, encouraging work, and promoting self-sufficiency. They also seek to provide administrative flexibilities and to streamline the complex and administratively burdensome calculation of income and rent. These policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms for 2019. Changes to Housing for the Elderly included in the 2018 President's Budget include:

- An increase in the tenant contribution toward rent from 30 percent of adjusted income to up to 35 percent of gross income (i.e., income adjusted by exclusions but not deductions). Hardship exemptions, as defined by the Secretary, will be available for tenants.
- An increase in minimum tenant rental payments from up to \$25 to \$50, with hardship exemptions.
- Elimination of utility reimbursement payments to tenants, sometime referred to as "negative rents." These payments have occurred when tenant-paid utility costs exceeded the minimum rent due. Hardship exemptions, as defined by the Secretary, will be available for tenants.
- A one-year freeze on annual rent adjustment increases, which may include those made using an annual operating cost adjustment factor, annual adjustment factor, budget based rent increase, or updated market rent study.

The Budget also proposes flexibility through a transfer up to \$35 million between Section 811 and Housing for the Elderly (Section 202) to allow HUD to be flexible in meeting the needs of the two programs under a constrained fiscal environment.

Housing for the Elderly (Section 202)

General Provisions

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

- Transfers of Assistance, Debt, And Use Restrictions (Sec. 206).
- RAD Amendments (Sec. 209).
- Raising rent contributions to 35 percent of gross rents (Sec. 226).
- Raising minimum rents to \$50 (Sec. 227).
- Elimination of utility allowance reimbursements (Sec. 228).
- Freeze on rent adjustment increases (Sec. 229).

Housing for the Elderly (Section 202)

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Elderly (Capital Advance, Other Expenses and PRAC) ...	\$2,000	\$20,915	\$22,915	\$4,103	\$3,000	\$18,812	\$21,812	\$3,000
Elderly PRAC Renewal/Amendment	353,700	75,725	429,425	366,033	353,923	63,492	417,415	417,000
Service Coordinators/ Congregate Housing Service Program	77,000	29,181	106,181	58,176	74,954	48,005	122,959	90,000
Senior Preservation Rental Assistance Contracts .....	...	16,395	16,395	7,750	...	8,645	8,645	...
Section 202 Demonstration .....	...	20,000	20,000	...	...	20,000	20,000	...
Reimbursable Authority for Split Funded Contracts .....	...	<u>739</u>	<u>739</u>	<u>739</u>	...	...	...	...
Total	432,700	162,955	595,655	436,801	431,877	158,954	590,831	510,000

NOTE: Columns 2016 Carryover into 2017 and Total Resources include \$1.1 million in anticipated fiscal year 2017 spending authority from offsetting collections for Elderly PRAC.

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Appropriations Language

The fiscal year 2018 President's Budget includes proposed changes in 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, \$510,000,000 to remain available until September 30, 2021: 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 of Housing and Urban Development, 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, 2021: 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. Provided further, That up to \$35,000,000 of any amounts made available under this heading, including recaptures, carryover, and residual receipts, may be transferred to and merged with amounts made available under the heading "Housing for Persons with Disabilities", and any such transferred and merged amounts may be transferred back and merged with amounts made available under this heading. (Department of Housing and Urban Development Appropriations Act, 2017.)

Note.—A full-year 2017 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, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

**HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$150,600	\$109,916 ^{a/}	...	\$260,516	\$188,777	\$171,201
2017 Annualized CR	150,600	71,681 ^{b/}	-\$286 ^{c/}	221,995	171,000	185,000
2018 Request	<u>121,300</u>	<u>50,995</u>	...	<u>172,295</u>	<u>147,000</u>	<u>175,000</u>
Change from 2017	-29,300	-20,686	+286	-49,700	-24,000	-10,000

a/ Amount includes \$5.8 million in residual receipt collections and \$112 thousand in recaptures.

b/ Amount excludes \$59 thousand that expired at the end of fiscal year 2016.

c/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The fiscal year 2018 President’s budget requests \$121.3 million for the Housing for Persons with Disabilities program. This request reflects implementation of several cost-saving measures in 2018 and anticipated carryover funding from prior years into 2018, allowing for full funding for all contracts in the Section 811 portfolio while reducing required appropriations and continuing to assist current low-income persons with disabilities served by the program. The Supportive Housing for Persons with Disabilities (Section 811) 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.

The funding request reflects a set of policies, described further below, that reduce costs while continuing to assist current residents; these policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms

2. Request

The request of \$121.3 million supports two primary activities:

Housing for Persons with Disabilities (Section 811)

- \$119.3 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.

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 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 fiscal year 2018 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 fiscal years 2017 to 2018, over 1,000 units will require first-time amendment (during their initial term) or first-time renewal. Cost increases associated with these units are more than offset by savings measures discussed in Section 3.

3. Justification

Section 811 addresses the high unmet housing need of very-low income renters with disabilities who cannot find affordable housing and experience severe housing problems. HUD's *Worst Case Housing Needs: 2015 Report to Congress* tracks the number of households with worst-case housing needs, defined as households that pay more than one half of their income in rent or live in inadequate housing. This report reveals that of the 7.7 million very low income households with worst case housing needs that lacked assistance in 2013, one in seven include one or more non-elderly person with disabilities. The number of households with worst case needs having at least one non-elderly person with disabilities decreased from 1.31 million households in 2011 to 1.09 million households in 2013, but remained 10 percent above the 2009 estimate.

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 one-third of the households have independent living

Housing for Persons with Disabilities (Section 811)

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 receive 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.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. The evaluation of the MFP program found a reduction in total Medicare and Medicaid expenditures of MFP participants, with the largest decrease among older adults with a mental health condition and people with intellectual disabilities (20 and 30 percent, respectively). This decline was primarily due to the shift in Long-Term Services and Supports (LTSS) spending from institutional- to community-based care.⁴

Nationally, there are an estimated 137,000 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. The Genworth 2014 Cost of Care Survey estimates the national average cost of a semi private room in a nursing home at \$77,380 per year. The cost of this type of facility has been increasing annually at a rate of 4 percent in recent years.⁵ Past studies of the traditional Section 811

¹ Mathematica Policy Research. 2011. *Money Follows the Persons 2010 Annual Evaluation Report: Final Report*. Retrieved from http://www.mathematica-mpr.com/publications/pdfs/health/MFP_2010_annual.pdf.

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 Lipson, D.J., C.S Valenzano, and S.R. Williams. 2011. "What Determines Progress in State MFP Transition Programs?" National Evaluation of the Money Follows the Person (MFP) Demonstration Grant Program, Report from the Field, No. 8. Cambridge MA: Mathematica Policy Research. October 2011. Retrieved from <http://www.mathematica-mpr.com/publications/pdfs/health/MFPfieldrpt8.pdf>

⁴ Irvin, C.V., Denny-Brown, N., Bohl, A., Schurrer, J., Wysocki, A., Coughlin, R., Williams, R. 2015. Money Follows the Person 2014 Annual Evaluation Report. Cambridge, MA: Mathematica Policy Research.

⁵ Genworth. 2014 Genworth Cost of Care Survey. Medicaid billing for a nursing home facility could be lower, but national data on the cost of nursing homes for Medicaid beneficiaries was not available.

Housing for Persons with Disabilities (Section 811)

have shown that projects are in high demand, with rare vacancies and very low turnover.⁶ In a MFP report, states cited lack of affordable, accessible housing as the single greatest barrier to helping more people move out of institutions.⁷

Cross-cutting Rent Reform Proposals

The Budget proposes a set of policies in its core rental assistance programs to reduce costs while at the same time continuing to assist current residents, encouraging work, and promoting self-sufficiency. They also seek to provide administrative flexibilities and to streamline the complex and administratively burdensome calculation of income and rent. These policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms for 2019. Changes to Housing for Persons with Disabilities included in the 2018 President's Budget include:

- An increase in the tenant contribution toward rent from 30 percent of adjusted income to up to 35 percent of gross income (i.e., income adjusted by exclusions but not deductions). Hardship exemptions, as defined by the Secretary, will be available for tenants.
- An increase in minimum tenant rental payments from up to \$25 to \$50, with hardship exemptions.
- Elimination of utility reimbursement payments to tenants, sometime referred to as "negative rents." These payments have occurred when tenant-paid utility costs exceeded the minimum rent due. Hardship exemptions, as defined by the Secretary, will be available for tenants.
- A one-year freeze on annual rent adjustment increases, which may include those made using an annual operating cost adjustment factor, annual adjustment factor, budget based rent increase, or updated market rent study.

The Budget also proposes flexibility through a transfer up to \$35 million between Section 811 and Housing for the Elderly (Section 202) to allow HUD to be flexible in meeting the needs of the two programs under a constrained fiscal environment.

⁶ 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.

⁷ 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.

Housing for Persons with Disabilities (Section 811)

General Provisions

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

- Transfers Of Assistance, Debt, And Use Restrictions (Sec. 206).
- Raising rent contributions to 35% of gross rents (Sec. 226).
- Raising minimum rents to \$50 (Sec. 227).
- Elimination of utility allowance reimbursements (Sec. 228).
- Freeze on rent adjustment increases (Sec. 229).

Housing for Persons with Disabilities (Section 811)

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

Budget Activity	2016 Budget Authority	2015 Carryover Into 2016	2016 Total Resources	2016 Obligations	2017 Annualized CR	2016 Carryover Into 2017	2017 Total Resources	2018 Request
Disabled (Capital Advance, Other Expenses and PRAC) ...	\$2,000	\$13,163	\$15,163	\$1,646	\$2,000	\$13,518	\$15,518	\$2,000
Disabled PRAC PAC Renewal/Amendment	148,600	26,126	174,726	120,401	148,314	54,266	202,580	119,300
Project Rental Assistance Demonstration (PRAD) .	...	70,330	70,330	66,730	...	3,600	3,600	...
PIH Amendment/Renewal of Mainstream Vouchers (Tenant-Based) .....	...	297	297	...	...	297	297	...
Total	150,600	109,916	260,516	188,777	150,314	71,681	221,995	121,300

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

The fiscal year 2018 President's Budget includes proposed changes in 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, \$121,300,000, to remain available until September 30, 2021: 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 of Housing and Urban Development, 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, 2021: 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. Provided further, That up to \$35,000,000 of any amounts made available under this heading, including recaptures, carryover, and residual receipts, may be transferred to and merged with amounts made available under the heading "Housing for the Elderly", and any such transferred and merged amounts may be transferred back and merged with amounts made available under this heading. (Department of Housing and Urban Development Appropriations Act, 2017.)

Note.—A full-year 2017 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, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

**HOUSING
HOUSING COUNSELING ASSISTANCE
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

HOUSING COUNSELING ASSISTANCE	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$47,000	\$1,796	...	\$48,796	\$47,008	\$37,321
2017 Annualized CR	47,000	1,697 ^a	-\$89 ^{b/}	48,608	47,000	43,083
2018 Request	<u>47,000</u>	<u>1,697</u>	...	<u>48,697</u>	<u>47,000</u>	<u>44,178</u>
Change from 2017 .....	...	...	+89	+89	...	+1,095

a/ Fiscal year 2017 carryover excludes \$91 thousand that expired at the end of fiscal year 2016.

b/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

1. Program Purpose and Fiscal Year 2018 Budget Overview

For fiscal year 2018, the Department requests \$47 million for the Housing Counseling Assistance Program, equal to the fiscal year 2017 Annualized CR. Funding at this level will permit the Office of Housing Counseling (OHC) to meet nearly 1.2 million consumers' needs to improve or restore their borrowing ability, access credit, and improve their housing quality and affordability.

2. Request

This funding request will support the following key priorities:

- Grants to local providers. \$40.5 million of the funding request 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 1.1 million consumers in fiscal year 2018.
- 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.

Housing Counseling Assistance

- 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 awareness of the program, and support 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. Congress has mandated that housing counselors be certified by HUD. This rule implements statutory requirements that housing counseling required under or provided in connection with all HUD programs will be provided by HUD Certified Housing Counselors. HUD published a final rule to implement certification on December 14, 2016 and expects to begin testing and certifying in fiscal year 2017. Counselors have 36 months after the launch of the certification examination to comply with the testing and certification requirements. In fiscal year 2018 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 their stakeholders that 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 fiscal year 2016 and will meet at least twice in fiscal year 2018. In fiscal year 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. The Committee has identified two areas of interest: increasing awareness of the value of HUD housing counseling, and incorporating housing counseling into the mortgage process.
- Research effective counseling techniques. In 2017 HUD published early insights from its large-scale, randomized, multi-year 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 20 U.S. metropolitan areas. Early insights are promising (see below for more detail) and the study will continue until April 2020.
- Increase the visibility and awareness of the HUD Housing Counseling Program. In fiscal year 2018 OHC will work on increasing the public's awareness of the benefits of housing counseling as well as the number of FHA borrowers that utilize housing counseling.

3. Justification

Through HUD's Housing Counseling Program, disadvantaged and underserved families improve their financial situation, address their current housing needs and pursue their housing and financial goals overtime. Housing counseling 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 2016 the HUD-approved housing counseling network of 1,949 agencies assisted over 1.2 million individuals and families across the country. Approximately 46 percent were racial minorities; 19 percent were Hispanic and nearly 62 percent were low to moderate income.

Housing Counseling Assistance

Housing Counseling plays a critical role in filling gaps in the housing market and providing valuable services to underserved communities across the country. As the nation continues its economic recovery from the foreclosure crisis, the Department will need to address challenges posed by tight mortgage market, rising interest rates, student loan debts and tight rental markets. Consumers will continue to need a trusted advisor who can help them recover from recession-related housing loss 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 prepurchase counseling cases supported by HUD has increased from 28 percent in fiscal year 2016 to 39 percent in first quarter of 2017, while delinquency and default cases have shrunk from 38 percent to 32 percent. Housing counseling services will be essential to help create sustainable homeownership and improved outcomes for homebuyers.

Housing counselors are skilled and experienced professionals with knowledge of the many federal, state and local programs in their local markets. 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, access to charitable funding for moving expenses, education about rights and responsibilities of tenancy, and connection to rental opportunities. Counselors work with homelessness-prevention programs and help homeless families in shelters to find more permanent housing at less cost to the government. 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.

Key Partners and Stakeholders

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 2016. In addition, OHC is currently researching and plans to publish models for how

Housing Counseling Assistance

state and local funding can support housing counseling in an effort, to help expand access and financial sustainability 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. In fiscal year 2016 1.2 million consumers received individual counseling and education services. Counseling for foreclosure prevention represented approximately 26 percent of the counseling provided in fiscal year 2016 a decrease from 33 percent in fiscal year 2015. Pre-purchase counseling services increased from 17.5 percent counseling in fiscal year 2015 to 19.3 percent counseling in fiscal year 2016. In terms of impact, 197,613 households improved their financial capacity (e.g. increased discretionary income, decreased debt load, increased savings, increased credit score) after receiving Housing Counseling services.

Independent research continues to show that consumers who work with a HUD-approved housing counseling agency have significant outcomes (savings, credit score, delinquency, foreclosure avoidance for example) than similar consumers who are not counseled. In 2017 HUD published early insights from its 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 that we have a very vested study participant sample and we are well-positioned to produce causal estimates of the impacts of homebuyer education and counseling.

Housing Counseling Assistance

Increasing Efficiency and Effectiveness of the Housing Counseling Program

In fiscal year 2018, 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 that will be implemented in fiscal year 2017. In 2016, 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 Counseling Assistance

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Housing Counseling Assistance	\$42,500	\$353	\$42,853	\$43,071	\$42,411	\$150	\$42,561	\$42,500
Administrative Contract Services	<u>4,500</u>	<u>1,443</u>	<u>5,943</u>	<u>3,938</u>	<u>4,500</u>	<u>1,547</u>	<u>6,047</u>	<u>4,500</u>
Total	47,000	1,796	48,796	47,009	46,911	1,697	48,608	47,000

Housing Counseling Assistance

**HOUSING
HOUSING COUNSELING ASSISTANCE
Appropriations Language**

The fiscal year 2018 President’s Budget includes proposed changes in the 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, \$47,000,000, to remain available until September 30, 2019, 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 2017 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, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

**HOUSING
OTHER ASSISTED HOUSING
(RENT SUPPLEMENT AND RENTAL HOUSING ASSISTANCE (SECTION 236))
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

OTHER ASSISTED HOUSING	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$30,000	\$26,895 ^a	...	\$56,895	\$34,157	\$216,879
2017 Annualized CR	30,000	13,691 ^b	-\$57 ^c	43,634	9,966	175,000
2018 Request	<u>14,000</u>	<u>-1,000^d</u>	...	<u>13,000</u>	<u>7,372</u>	<u>133,000</u>
Change from 2017	-16,000	-14,691	+57	-30,634	-2,594	-42,000

- a/ Amount includes transfer of \$40.95 million from Other Assisted Housing to Project-Based Rental Assistance for subsidy payments for units converting under the Rental Assistance Demonstration (RAD) program.
- b/ Amount includes estimated transfer of \$50 million from Other Assisted Housing to Project-Based Rental Assistance for subsidy payments for units converting under the RAD program.
- c/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.
- d/ Amount includes estimated transfer of \$14 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 2018 Budget Overview

The Department requests \$14,000,000 for the Rental Housing Assistance Program (Section 236) (RAP) and Rent Supplement Program (Rent Supp) in fiscal year 2018 to ensure that up to 2,700 families in 20 remaining properties continue to pay affordable rents. The fiscal year 2018 President's budget of \$14,000,000, is \$15,943,000 less than the fiscal year 2017 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 fiscal year 2018, 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 account contains two programs that actively receive appropriations:

- **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 expires in 2017. However, HUD may provide 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.

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 March 17, 2017, 184 RAP and Rent Supp properties (21,500 units) have converted through RAD to long-term Section 8 contracts.

Other Assisted Housing

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:

- 1) Since the initial authorization of RAD in 2012, owners have had the ability to convert to Project-Based Voucher (PBV) contracts, using only the tenant protection voucher amounts that are triggered at contract termination or expiration.
- 2) 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 TPVs. Therefore, while the amount of the fiscal year 2018 funding request is based on projected extension and amendment needs in fiscal year 2018, 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. In the event that 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 fiscal year 2018, and require additional time to plan for a conversion via RAD.

Other Assisted Housing

**HOUSING
OTHER ASSISTED HOUSING
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Rent Supplement	\$15,000	\$15,079	\$30,079	\$8,759	\$14,943	\$21,320	\$36,263	\$4,000
Rental Housing								
Assistance (Sec 236) .	15,000	39,770	54,770	25,398	15,000	29,371	44,371	10,000
Section 235 .....	...	13,000	13,000	...	...	13,000	13,000	...
Rental Assistance								
Demonstration								
(Transfer) .....	...	<u>-40,954</u>	<u>-40,954</u>	...	...	<u>-50,000</u>	<u>-50,000</u>	...
Total	30,000	26,895	56,895	34,157	29,943	13,691	43,634	14,000

NOTE: 2017 Total Resources include \$20 million in Rent Supplement and RAP Extension funds to support conversions to project-based contracts via RAD.

Other Assisted Housing

**HOUSING
OTHER ASSISTED HOUSING
Appropriations Language**

The fiscal year 2018 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, [\$20,000,000] \$14,000,000, 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. (Department of Housing and Urban Development Appropriations Act, 2017.)

Note.—A full-year 2017 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, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

HOUSING
FHA-MUTUAL MORTGAGE INSURANCE FUND
2018 Summary Statement and Initiatives
(Dollars in Thousands)

FHA--MUTUAL MORTGAGE & COOPERATIVE MGMT. HOUSING INSURANCE FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$130,000	\$45,026 ^a	...	\$175,026	\$120,008	\$104,672
2017 Annualized CR	130,000	52,794 ^b	-\$247 ^c	182,547	122,782	123,000
2018 Request	<u>160,000^d</u>	<u>63,765^e</u>	...	<u>223,765</u>	<u>142,498</u>	<u>103,000</u>
Change from 2017	+30,000	+10,971	+247	+41,218	+19,716	-20,000

a/ Carryover includes \$45 million carried forward into fiscal year 2016 and \$5 thousand recaptured during fiscal year 2016. Of the recaptured amount, \$4 thousand expired at the end of fiscal year 2016.

b/ Carryover includes \$47.7 million carried forward into fiscal year 2017 and \$5 million estimated to be recaptured during fiscal year 2017.

c/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

d/ The 2018 Budget proposes an administrative support fee estimated to produce \$30 million in offsetting collections. This fee will fund enhancements to FHA Single Family's risk management approach, IT system delivery and operations.

e/ Carryover includes \$59.8 million carried forward into fiscal year 2018 and \$4 million estimated to be recaptured during fiscal year 2018.

1. Program Purpose and Fiscal Year 2018 Budget Overview

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 MMI, 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 MMI. FHA MMI has served over 3.3 million families over the past three fiscal years through:

- Over 2.2 million forward purchase loan endorsements.
- Over 940 thousand families have refinanced their homes and reduced either their loan term or monthly payment.
- Over 158 thousand seniors have obtained a HECM loan enabling them to stay in their homes.

Mortgage and Loan Insurance Programs – MMI/CMHI Account

MMI's purchase loan endorsements for the past 3 years include 1.8 million first-time buyers, or 82.2 percent of all of the purchase loan endorsements. It is likely that 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 fiscal year 2018 request for MMI includes four components:

- Commitment authority for up to \$400 billion in new loan guarantees. The fiscal year 2018 Budget requests \$400 billion in loan guarantee commitment limitation, which is to remain available until September 30, 2019. 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 fiscal year 2018 is \$228.7 billion. Of that total, \$213.9 billion is estimated for standard forward mortgages and \$14.8 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 \$228.7 billion in loan volume projected for the entire MMI portfolio in fiscal year 2018 is expected to generate \$ 7.1 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 \$160 million, offset by estimated collections of \$30 million from a proposed administrative fee charged to lenders. These resources will fund enhancements to administrative contract support, FHA staffing, and information technology, all of which will serve to benefit the lender, and ultimately the borrower. For this reason, the request asks for a transfer of up to \$30 million from this account to the Office of Housing Salaries and Expenses account and the Information Technology Fund to be used for these purposes.
- Commitment authority for up to \$5 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's single family mortgage insurance program supports our nation's housing recovery by meeting the needs of borrowers facing difficult economic conditions, such as declining property values and shrinking credit markets. 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. FHA strives to meet the needs of many first-time and minority homebuyers who, without the FHA guarantee, may otherwise find mortgage credit to be prohibitively costly or simply unavailable.

FHA has insured over 41 million home mortgages since 1934. 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 plays a counter-cyclical role, providing access to mortgage credit during periods of constriction in credit markets. Throughout the recent recession, FHA provided key support for the national mortgage market and mitigated the foreclosure crisis and the overall economic downturn.

As of September 30, 2016, the MMI insurance portfolio included 7.8 million loans with an unpaid principal balance exceeding \$1.1 trillion. FHA mortgage insurance enhances a borrower's credit and provides banks with better access to capital markets, most notably through Ginnie Mae securities. FHA has long been a valuable resource for enabling the purchase of a first home, especially among minority and low-income families. FHA loans are highly attractive to borrowers who are credit-worthy but have difficulty assembling a large down payment or securing conventional financing.

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

Forward Mortgage Insurance and Guaranteed Loans. 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 95.0 percent of the total \$260.3 billion in insurance endorsements for the MMI Fund under Section 203(b) during fiscal year 2016, 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

Mortgage and Loan Insurance Programs – MMI/CMHI Account

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, or one-time draw at close. 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.

During the housing crises, 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 will continue into fiscal year 2018. These changes include 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.

There are many studies that highlight the impact that increased longevity (Butrica, Smith, and Iams 2012; Favreault et al. 2012; Munnell, Hou, and Webb 2014; VanDerhei 2011), rising health care and other costs (Johnson and Mommaerts 2009, 2010), fewer defined benefit pension programs and diminished investment values have had on senior's income and savings (Munnell 2014; Munnell and Sunden 2005). HECMs provide a viable option to access equity in their homes. Due to the housing crises and lack of available private sector products, FHA has provided a critical counter-cyclical role in this market, as it has with Forward loans, providing access to credit for seniors.

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 change supports the significant improvements that have been made to the program to reduce risk to the MMI Fund and to ensure responsible lending to seniors.

Administrative Contract Appropriations

The \$160 million request for fiscal year 2018 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 and despite providing billions in offsetting collections to the federal government, FHA has not kept pace with these trends and continues to rely on antiquated technology and is forced to

Mortgage and Loan Insurance Programs – MMI/CMHI Account

use a patchwork approach to insurance endorsement, claims payments and risk management. The President's Budget proposal of a \$30 million increase over the fiscal year 2017 annualized CR will be offset by the proposed \$30 million dollars in offsetting collections from lenders. These resources will fund enhancements to bring FHA's operations up to the industry standards by providing administrative contract support, staffing and information technology. The request asks for a transfer of up to \$30 million from this account to the Office of Housing Salaries and Expenses account and the Information Technology Fund, to be used for these purposes.

Mortgage and Loan Insurance Programs – MMI/CMHI Account

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Administrative Contract Expense	\$130,000	\$45,026	\$175,026	\$120,008	\$129,753	\$52,794	\$182,547	\$160,000 ^d
Research and Technology (transfer)	---	---	---	---	---	---	---	---
Total	130,000	45,026	175,026	120,008	129,753	52,794	182,547	160,000

HOUSING
FHA – MUTUAL MORTGAGE INSURANCE FUND
Appropriations Language

The fiscal year 2018 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, 2019: Provided, That during fiscal year 2018, obligations to make direct loans to carry out the purposes of section 204(g) of the National Housing Act, as amended, shall not exceed \$5,000,000: 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, \$160,000,000, to remain available until September 30, 2019, of which up to \$30,000,000 may be used for necessary salaries and expenses and 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 made available for salaries and expenses pursuant to the previous proviso shall be transferred to the "Housing" account under the general heading "Program Office Salaries and Expenses" under this title for such purposes and shall remain available until September 30, 2019, and any amounts to be used for information technology purposes pursuant to the previous proviso shall be transferred to the "Information Technology Fund" account under this title for such purposes and shall remain available until September 30, 2019: Provide further, That any amounts transferred pursuant to the previous proviso may be transferred back to this account and shall remain available until September 30, 2019: Provided further, That to the extent guaranteed loan commitments exceed \$200,000,000,000 on or before April 1, 2018, an additional \$1,400 for administrative contract expenses shall be available for each \$1,000,000 in additional guaranteed loan commitments (including a pro rata amount for any amount below \$1,000,000), but in no case shall funds made available by this proviso exceed \$30,000,000: Provided further, That receipts from administrative support fees collected pursuant to section 202 of the National Housing Act, as amended by section 222 of this title, shall be credited as offsetting collections to this account.

Note.—A full-year 2017 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, 2017 (P.L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

**HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

FHA--GENERAL AND SPECIAL RISK INSURANCE FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$6,408	-\$6,000 ^a	\$408	...	...
2017 Annualized CR	408	...	408	...	...
2018 Request	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
Change from 2017	-408	...	-408	...	...

a/ Amount reflects the rescission of funds from the unobligated balance of credit subsidy appropriated in previous fiscal years. In 2016, \$12 million was permanently rescinded from the GI/SRI Program Account and the Native American Housing Block Grants, pursuant to the Consolidated Appropriations Act, 2016 (P.L. 114-113). Of this amount, \$6 million was rescinded from the GI/SRI Program account.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The 2018 President’s Budget requests no subsidy budget authority, and \$30 billion in loan guarantee commitment authority, the same level as 2017, with loan guarantees resulting in an estimated \$619 million in offsetting receipts to the U.S. Treasury General Fund. 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 Federal Housing Administration’s (FHA) General Insurance and Special Risk Insurance (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:

Mortgage and Loan Insurance Programs-GI/SRI Account

- 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 \$18 billion in loan insurance commitments in 2018, including:

- Approximately \$14 billion in loan guarantees to support 1,040 affordable housing apartment projects including construction of more than 2,900 new affordable housing units and rehabilitation of more than 33,000 existing affordable housing units;
- \$4 billion in loan guarantees for 330 healthcare facilities, including skilled nursing homes, assisted living facilities, board and care homes, and hospitals; and
- \$125 million for 4,000 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 fiscal year 2018 request supports mortgage insurance programs that are essential in achieving the Department's mission of strong, sustainable, inclusive communities and quality affordable homes for all. 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.

Mortgage and Loan Insurance Programs-GI/SRI Account

- 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 2018

	Commitment Volume (projected)	Credit Subsidy Rate	Offsetting Receipts (projected) ¹
Direct Loans Levels			
FFB Risk Sharing	\$807,000	-8.18%	\$68,783
Guaranteed Loan Levels			
Apartments New Construction / Substantial Rehab (221d4)	\$2,816,000	-1.61%	\$50,293
Tax Credits ⁵	\$3,008,000	-1.63%	\$42,300
Apartment Refinances (223a7 & 223f)	\$6,585,000	-3.92%	\$238,624
Housing Finance Agency Risk Sharing (542c)	\$160,000	-0.27%	\$700
Qualified Participating Entity Risk Sharing (542b)	\$11,000	-0.72%	\$61
Other Rental (207MHP, 231 and 220)	\$74,000	-3.68%	\$2,508
Subtotal - Multifamily Programs²	\$12,654,000	-2.81%	\$334,486
Residential Care Facilities (232_nc)	\$313,000	-7.04%	\$19,887
Residential Care Facility Refinances (232_refi)	\$2,650,000	-5.94%	\$143,318
Hospitals (242)	\$1,059,000	-5.23%	\$48,106
Subtotal - Healthcare Programs²	\$4,022,000	-5.84%	\$211,311
Title 1 - Property Improvement	\$49,793	-1.47%	\$732
Title 1 - Manufactured Housing	\$74,983	-4.36%	\$3,272
Total - Guaranteed Loan Levels²	\$16,800,776	-3.54%	\$549,800
Total - GI/SRI Fund²	\$17,607,776	-3.75%	\$618,583

¹ Receipts are recognized as the underlying loans are disbursed.

² The subsidy rate is a weighted average.

Mortgage and Loan Insurance Programs-GI/SRI Account

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 100 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. It 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). This 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.

Mortgage and Loan Insurance Programs-GI/SRI Account

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.

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, Section 223(a)(7) loans for refinancing current FHA-insured projects, and Section 223(e) loans for hospitals in older, economically declining urban areas.

Mortgage and Loan Insurance Programs-GI/SRI Account

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 of senior HUD officials. 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. Using the widely respected IMPLAN economic model, HUD calculates the economic benefits for healthcare facility construction projects that receive mortgage insurance commitments. It is estimated that, in the past 5 years between fiscal years 2012-2016, the healthcare facility construction projects that received insurance commitments from FHA created over 37,000 new jobs during construction with over \$8.3 billion in overall economic benefit to their local communities. Once the projects complete construction, they will create over 24,000 full time equivalent jobs with an annual ongoing economic impact of \$3.4 billion per year.

Mortgage and Loan Insurance Programs-GI/SRI Account

The healthcare portfolio as of the end of fiscal year 2016 includes 3,263 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 the U.S. Virgin Islands, and 79 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.

The greatest testament to FHA's effectiveness is 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. FHA-insured projects can have a significant impact on the economic health of the community, as described in the previous section.

Mortgage and Loan Insurance Programs-GI/SRI Account

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Positive Subsidy								
Appropriation	<u>-\$6,000</u>	<u>\$6,408</u>	<u>\$408</u>	<u>...</u>	<u>...</u>	<u>\$408</u>	<u>\$408</u>	<u>...</u>
Total	-6,000	6,408	408	...	...	408	408	...

HOUSING
FHA – GENERAL AND SPECIAL RISK INSURANCE FUND
Appropriations Language

The fiscal year 2018 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, 2019: Provided, That during fiscal year 2018, 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 \$5,000,000, 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 2017 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, 2017 (P.L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

HOUSING
MANUFACTURED HOUSING FEES TRUST FUND
2018 Summary Statement and Initiatives
(Dollars in Thousands)

MANUFACTURED HOUSING FEES TRUST FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2016 Appropriation	\$10,500	\$5,307	...	\$15,807	\$12,861	\$11,884
2017 Annualized CR	10,500	2,946	-\$20 ^{a/}	13,426	12,000	12,152
2018 Request	<u>11,000</u>	<u>1,426</u>	...	<u>12,426</u>	<u>12,000</u>	<u>11,800</u>
Change from 2017	+500	-1,520	+20	-1,000	...	-352

a/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The Department of Housing and Urban Development (HUD) requests \$11 million for the Manufactured Housing Program in fiscal year 2018, \$520,000 more than the fiscal year 2017 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). Manufactured housing is a key segment of the affordable housing industry, and manufactured homes provide approximately 10 percent of the nation’s single-family housing stock. Additionally, manufactured homes constitute a major source of housing in rural America, where one in every 5 homes is a manufactured home.

2. Request

The 2018 Budget requests \$11 million for the Manufactured Housing Program, with program funding appropriated from the offsetting fee collections of the Manufactured Housing Fees Trust Fund. The program is authorized under the National Manufactured Housing Construction and Safety Standards Act of 1974 as amended by the Manufactured Housing Improvement Act of 2000.

Manufactured Housing Fees Trust Fund

The requested level of appropriation will:

- (1) Cover the contractual costs for the program to carry out the multiple federal mandated and preemptive oversight and compliance aspects of the program; and
- (2) Make the required payments to our state partners, State Administrative Agencies, as outlined in federal regulations to offset the states' cost of administrating and regulating the federal manufactured housing program.

Program costs for these activities are increasing due to gradual increases in production levels, and increased oversight and inspection responsibilities due to the implementation of the new statutory directives of HUD's installation and dispute resolution programs. At the end of fiscal year 2014, HUD increased the fee collected from home manufacturers to \$100 per label. With the increased fee, HUD collected approximately \$12 million in fees during fiscal year 2016 and requests \$11 million to operate HUD's Manufactured Home Program during fiscal year 2018.

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 the elderly households with fixed incomes. In 2011, manufactured housing accounted for 71 percent of all new homes sold under \$125,000. Manufactured housing is a key component of affordable housing; 75 percent of manufactured home households earn less than \$50,000 annually.

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 provide or 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:

Manufactured Housing Fees Trust Fund

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 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.
2. Monitoring manufacturer's compliance with the Construction and Safety Standards by third party primary inspection agencies. These are both private and state agencies whose performance is monitored by HUD through a contractor. This includes both the monitoring of third party agencies who approve manufacturers' designs or Design Approval Primary Inspection Agencies (DAPIAs) and In-plant Production Inspection Agencies or 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). The OMHP estimates contractual costs for these monitoring activities to require \$5.3 million in fiscal year 2018.
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 - 36 State Administrative Agencies - through cooperative agreements to carry out consumer complaint activities on HUD's behalf. HUD may increase funding to the States in fiscal year 2018 by increasing payments to participating states from \$2.50 to \$14.00 for each unit manufactured in the state. Should a final rule to this effect be published, OMHP estimates that the level of payments to the State Administrative Agencies will increase to \$3.6 million in fiscal year 2018.
4. Establishment and Oversight of Model Installation Standards in all states. The OMHP is also responsible for installation oversight nationwide and the licensing and training of installers. In fiscal year 2016, OMHP implemented a federally run program in 13 states that have no installation program of their own, expanding the program to one additional HUD-administered state in fiscal year 2017. The OMHP estimates the contractual costs for the installation contract to be \$0.8 million in fiscal year 2018.
5. Establish and Administer the Dispute Resolution Program to resolve disputes between manufacturers, retailers, and installers of manufactured homes. OMHP is administering a federally-run program in 25 states that have no program of their own. The OMHP estimates the contractual costs for the dispute resolution contract to be \$0.4 million in fiscal year 2018.

Manufactured Housing Fees Trust Fund

6. Coordinate the Activities of the Manufactured Housing Consensus Committee through the use of an Administering Organization (AO). The contractor is mandated by the 2000 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. The OMHP estimates the contractual costs for the AO on to administer the MHCC to be \$0.2 million in fiscal year 2018.

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. The OMHP estimates the contractual costs for this activity to be \$0.7 million in fiscal year 2018.

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. HUD Code manufactured homes perform better in high wind events due to enhancements to modern manufactured home construction standards. For example, in a study conducted after Hurricane Charley, 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.

HUD anticipates making further improvements to the code through implementation of the Environmental Protection Agency's formaldehyde emission standards for composite wood products, improvements to its energy efficiency standards being developed by the Department of Energy, and additional code modifications recommended by the MHCC.

Manufactured Housing Fees Trust Fund

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Payments to States	\$3,300	\$3,557	\$6,857	\$5,480	\$3,300	\$716	\$4,016	\$3,600
Contracts	<u>7,200</u>	<u>1,750</u>	<u>8,950</u>	<u>7,381</u>	<u>7,180</u>	<u>2,230</u>	<u>9,410</u>	<u>7,400</u>
Total	10,500	5,307	15,807	12,861	10,480	2,946	13,426	11,000

Manufactured Housing Fees Trust Fund

HOUSING
Manufactured Housing Fees Trust Fund
Appropriations Language

The fiscal year 2018 President’s Budget includes the proposed appropriation language listed below.

For necessary expenses as authorized by the National Manufactured Housing Construction and Safety Standards Act of 1974 (42 U.S.C. 5401 et seq.), up to \$11,000,000, to remain available until expended, of which \$11,000,000 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 this heading from the general fund shall be reduced as such collections are received during fiscal year 2018 so as to result in a final fiscal year 2018 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 2018 appropriation: Provided further, That for the dispute resolution and installation programs, the Secretary of Housing and Urban Development 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 2017 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, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
MORTGAGE-BACKED SECURITIES PROGRAM
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

GUARANTEES OF MORTGAGE-BACKED SECURITIES	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2016 Loan Limitation	\$500,000,000	\$494,413,897	...	\$994,413,897	\$430,390,842	...
2017 Annualized CR	500,000,000	500,000,000	-\$950,500 ^{a/}	999,049,500	999,049,500	...
2018 Request	<u>500,000,000</u>	...	...	<u>500,000,000</u>	<u>500,000,000</u>	...
Change from 2017 .....	...	-500,000,000	+950,500	-499,049,500	-499,049,500	...

a/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted loan limitation level of 0.1901 percent.

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						
2016 Appropriation.....	\$409,121	\$139,528	-\$522,649	\$26,000	\$23,673	-\$115,855
2017 Annualized CR.....	522,649	101,000	-600,693	23,000	25,456	-75,544
2018 Request.....	<u>600,693</u>	<u>116,000</u>	<u>-691,293</u>	<u>25,400</u>	<u>28,400</u>	<u>-87,600</u>
Change from 2017	+78,044	+15,000	-90,600	+2,400	+2,944	-12,056

1. Program Purpose and Fiscal Year 2018 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 \$9.6 million balance of no-year S&E collected in prior fiscal years or the reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent for fiscal year 2017, per Public Law 114-254.

Guarantees of Mortgage-Backed Securities

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 2018 President's budget of \$500 billion, equal to the fiscal year 2017 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 2018 Budget request consists of two parts:

- (1) \$500 billion (non-cash) in limitation on new commitments of single class MBS; and
- (2) \$25.4 million to cover personnel compensation and benefits and non-personnel services expenses for fiscal year 2018. The appropriations request also includes up to \$3 million in additional budget authority should the actual guarantee volume exceed the prescribed threshold during execution.

Commitment Authority

Ginnie Mae is requesting \$500 billion in commitment authority, to remain available until September 30, 2019, 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 2018 President's Budget of \$25.4 million, is \$2.4 million more than the fiscal year 2017 Annualized CR level. Ginnie Mae's salaries and expenses (S&E) request of \$25.4 million, is offset by an estimated \$116 million in collections from multiclass and commitment fees for an expected net decrease to the deficit of \$90.6 million. Please see the Ginnie Mae S&E justification for more details.

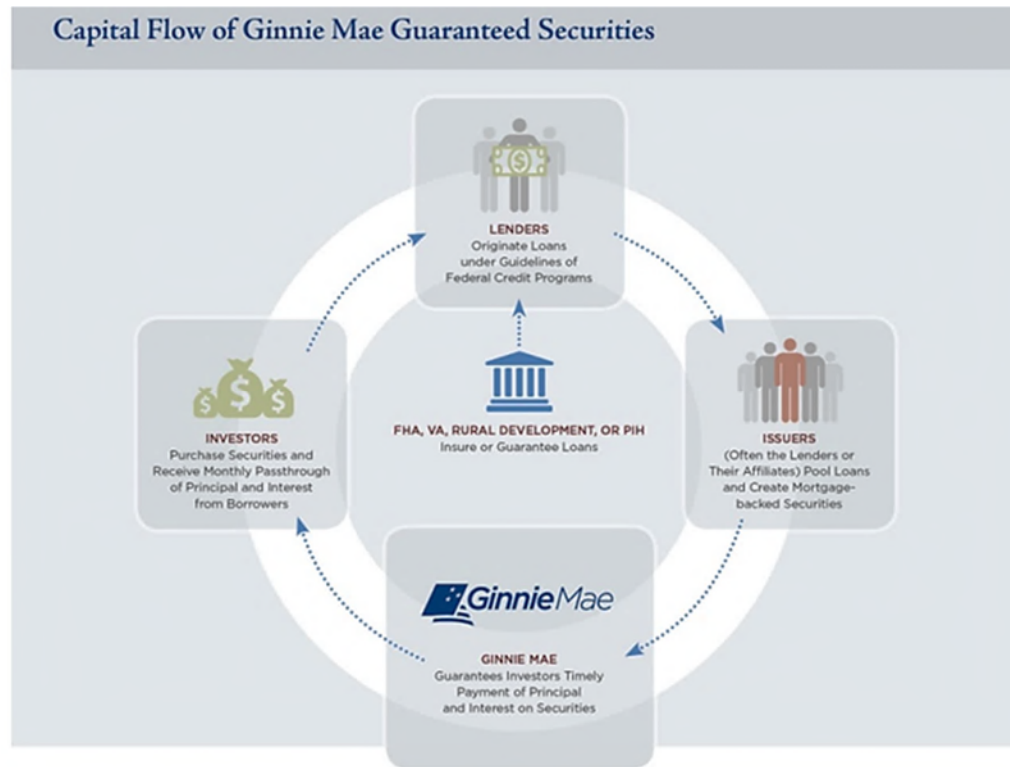
Guarantees of Mortgage-Backed Securities

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.

Guarantees of Mortgage-Backed Securities

Figure 1: Capital Flow of Ginnie Mae Guaranteed Securities

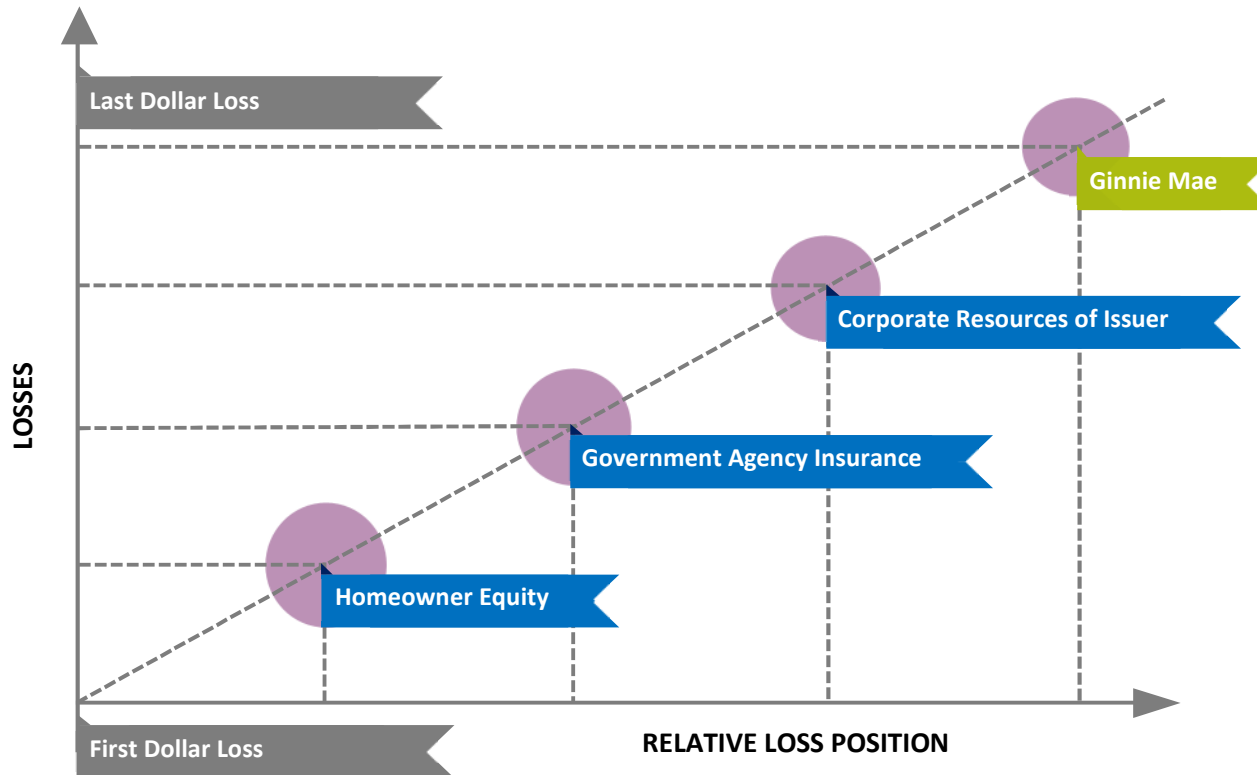


Ginnie Mae is a mono-line business taking only counterparty risk – the risk that the Issuer does not have the financial strength and liquidity to cover borrower defaults and un-reimbursed losses on mortgage loans underlying their MBS issuances. There are three

Guarantees of Mortgage-Backed Securities

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



Guarantees of Mortgage-Backed Securities

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, weakening a recovering but still somewhat fragile 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.

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. Prior to the introduction of 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.

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).

Guarantees of Mortgage-Backed Securities

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

<u>Budget Activity</u>	<u>2016 Loan Limitation</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Commitment Limitation	\$500,000,000	\$494,413,897	\$994,413,897	\$430,390,842	\$499,049,500	\$500,000,000	\$999,049,500	\$500,000,000
Total	500,000,000	494,413,897	994,413,897	430,390,842	499,049,500	500,000,000	999,049,500	500,000,000

Guarantees of Mortgage-Backed Securities

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
MORTGAGE-BACKED SECURITIES PROGRAM
Appropriations language**

The fiscal year 2018 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 \$500,000,000,000, to remain available until September 30, 2019: Provided, That \$25,400,000 shall be available for necessary salaries and expenses of the Office of Government National Mortgage Association: Provided further, that to the extent that guaranteed loan commitments will and do exceed \$155,000,000,000 on or before April 1, 2018, an additional \$100 for necessary salaries and expenses shall be available until expended for each \$1,000,000 in additional guaranteed loan commitments (including a pro rata amount for any amount below \$1,000,000), but in no case shall funds made available by this proviso exceed \$3,000,000: 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 2017 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, 2017 (P.L. 114–254). The amounts included for 2017 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)

Account Name	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget ¹
Personnel Services	\$22,240	\$22,956	\$24,551
Non-Personnel Services			
Travel	452	-	-
Transportation of Things	17	-	-
Other services/Contracts	70	-	-
Training	235	-	-
Supplies	33	-	-
Non-Personnel Services Subtotal	\$807	-	-
Working Capital Fund (WCF)	-	-	\$849
Grand Total	\$23,047	\$22,956	\$25,400
Permanent FTE	132.6	134.4	141.9
Temporary FTE*	2.8	15.0	30.0
Associated FTE	135.4	149.4	171.9

*Temporary FTE are funded via GNMA no-year funding.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The Government National Mortgage Association (Ginnie Mae) 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

¹ In addition to the discretionary appropriations, Ginnie Mae will utilize accumulated no-year funds available from prior year appropriations for funding administrative costs and investments in improved risk management and oversight.

Government National Mortgage Association – Salaries and Expenses

that keeps funds flowing to lenders, allowing them to continue to originate loans under the Federal Housing Authority, Veterans Affairs, Rural Housing Services and Public and Indian Housing programs.

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. Ginnie Mae's ability to fulfill its 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 2018 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 2018 President's Budget of \$25,400K for Salaries and Expenses is \$2,444K more than the fiscal year 2017 Annualized CR level. This total includes \$849K for Ginnie Mae's allocation towards the Working Capital Fund (WCF).

Ginnie Mae's request would support 141.9 FTE in fiscal year 2018, including 9 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, government corporation that supports housing credit access and liquidity across the Nation at no cost, and at limited risk to taxpayers. Ginnie Mae's request is based on the need to run a growing program while simultaneously re-engineering operations to manage MBS growth, increased business complexity and risk and respond to changing market conditions.

This budget and staffing support the fiscal year 2018 President's Budget , which supports homeownership through provision of FHA, VA and USDA 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 outstanding MBS of \$1.7 trillion supporting over ten million households as of September 30, 2016. 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.

Personnel Services:

Ginnie Mae is requesting \$24,551K to support 141.9 FTE an increase of \$1,595K to support 9 additional FTE. The \$1,595K increase in Personnel Services will permit Ginnie Mae a staffing level appropriate for the increased size, complexity and risk of its dynamic, market-driven business. The additional 9 FTE supported by the S&E increase will help address the following mission critical, foundational oversight and risk management functions in the program offices shown in the organizational FTE chart below.

- **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.*
- **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 a few 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 Issuer base consists of nearly 80 percent non-banks, responsible for 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 life of a 30-year mortgage.

Government National Mortgage Association – Salaries and Expenses

- **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.
- **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.

Permanent Full-Time Equivalents

Staffing	FY 2016 FTE	FY 2017 FTE (Est)	FY 2018 FTE (Est)
OFFICE OF THE PRESIDENT/VP	11	9	10
OFFICE OF CHIEF FINANCIAL OFFICER	15	19	22
OFFICE OF ISSUER & PORTFOLIO MGMT	35	36	36.9
OFFICE OF ENTERPRISE RISK	13	12	13
OFFICE OF CAPITAL MARKETS	6	7	7
OFFICE OF ENTERPRISE DATA & TECHNOLOGY SOLUTIONS	22	21	22
OFFICE OF SECURITIES OPERATIONS	20	18	18
OFFICE OF MANAGEMENT OPERATIONS	11	13	13
Permanent Staff Sub-Total	132.6	134.4	141.9

Government National Mortgage Association - Salaries and Expenses

2-Year Term or Temporary Staff Full Time Equivalent

Staffing	FY 2016 FTE	FY 2017 (Est)	FY 2018 (Est)
OFFICE OF THE PRESIDENT/VP	-	-	3
OFFICE OF CHIEF FINANCIAL OFFICER	.9	5.1	5
OFFICE OF ISSUER & PORTFOLIO MGMT	-	-	7
OFFICE OF ENTERPRISE RISK	.1	2.9	2
OFFICE OF CAPITAL MARKETS	-	-	3
OFFICE OF ENTERPRISE DATA & TECHNOLOGY SOLUTIONS	-	-	2
OFFICE OF SECURITIES OPERATIONS	1.8	7	6
OFFICE OF MANAGEMENT OPERATIONS	-	-	2
Temporary Staff Total	2.8	15.0	30.0

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,

Government National Mortgage Association – Salaries and Expenses

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 expenditures required 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); and
 - 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

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- **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); and
- 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
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

RESEARCH AND TECHNOLOGY	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$85,000	\$31,110 ^{a/}	...	\$116,110	\$104,756	\$62,830
2017 Annualized CR	85,000	11,740 ^{b/}	-\$162 ^{c/}	96,578	96,578	65,300
2018 Request	<u>85,000</u>	<u>...</u>	<u>...</u>	<u>85,000</u>	<u>85,000</u>	<u>68,600</u>
Change from 2017 .....	...	-11,740	+162	-11,578	-11,578	+3,300

a/ The carryover includes \$988 thousand of recaptured funds.

b/ The carryover includes \$386 thousand of recaptured funds.

c/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The fiscal year 2018 President’s Budget requests \$85 million for Research and Technology (R&T). Through R&T, the Office of Policy Development and Research (PD&R) provides fundamental support for the mission of the Department and the policy agenda of the Secretary, 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), as well as data infrastructure development, information management, and technical assistance. This work enables Congress, the Secretary, and other HUD principal staff to make informed decisions on budget and legislative proposals, and are essential to supporting more effective housing and community development policy.

2. Request

The R&T request includes three major categories as follows:

- \$50 million for Core R&T. These funds primarily support the American Housing Survey and other national surveys that are used by policymakers, researchers, and state and local practitioners. Other Core activities include knowledge management (research dissemination) and public-private research partnerships that leverage administrative data.

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- \$10 million for Research, Evaluations, and Demonstrations. In fiscal year 2018, these funds will be dedicated primarily to experimental demonstrations, evaluations, and research related to expansion of Moving to Work to additional public housing agencies including Rent Reform, as well as examining the hazards to a healthy living environment for assisted tenants.
- \$25 million for Technical Assistance (TA). TA resources ensure that HUD program partners and practitioners have access to research-informed guidance in effective practice. These funds will be used for the benefit of all of HUD's programs and a variety of HUD's customers. PD&R's role is to ensure an efficient allocation of these funds to increase the probability that HUD's grantees and other partners succeed at achieving program goals efficiently.

3. Justification

Core R&T

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 are essential for an efficient housing market—which in 2015 contributed \$1.7 trillion to the U.S. gross domestic product.¹ The largest of these 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. The newly reengineered survey continues to inform policymakers about both HUD-assisted and unassisted populations and the nature of worsening affordable housing problems. Other surveys funded under Core R&T provide important data on 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), Rental Housing Finance Survey (RHFS). PD&R also acquires other datasets as part of the housing data infrastructure.

These surveys are complemented by PD&R's in-house and other low-cost activities to compile and make available data on program parameters such as Fair Market Rents and Income Limits for housing programs, Comprehensive Housing Affordability Strategy data, Picture of Subsidized Households, Low Income Housing Tax Credit data, and the housing scorecard and housing market reports. The diverse constituents for these data include housing authorities, lenders, industry groups, researchers, and policymakers.

Knowledge Management, Dissemination, and Outreach. The second component of Core R&T serves to package evidence and disseminate 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 policymakers. Along with formal research reports and the *Cityscape* journal, several shorter-format periodicals such as *U.S. Housing Market Conditions*, *The Edge*, and *Evidence Matters* and make data and research freely accessible to broad audiences. The

¹ See https://www.bea.gov/industry/xls/io-annual/GDPbyInd_VA_1947-2015.xlsx.

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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.² During 2015, there were an average of 1.5 million downloads per month from HUDUSER.gov.

Research, Evaluations, & Demonstrations

PD&R's discretionary research and evaluation is guided by the *HUD Research Roadmap*, which PD&R developed through an iterative consulting process to ensure that the research function is forward-looking, systematic, and well-structured. Roadmapping provides this strong framework, articulates core evaluation principles and practices, identifies critical policy questions, and guides HUD's research investments five or more years in the future. To keep the *Roadmap* a living document, PD&R developed *Research Roadmap: 2017 Update* and continues to engage internal and external stakeholders in identifying 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.³

In fiscal year 2018, Research, Evaluations and Demonstrations funds will be dedicated primarily to experimental demonstrations, evaluations, and research related to expansion of Moving to Work to additional public housing agencies, Rent Reform proposals and examining the hazards to a healthy living environment for assisted tenants. These *Roadmap* priorities will inform policies to advance cost-effectiveness in rental assistance programs and support improved self-sufficiency outcomes. PD&R seeks to capitalize on the federal investment in Moving to Work expansion, as it presents a unique opportunity to learn from changes in existing programs with rigorous experimental demonstrations. The ongoing Family Self-Sufficiency evaluation presents a similar opportunity to test ways to improve economic outcomes for assisted households.

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. Integrated data can fill knowledge gaps and support a comprehensive understanding of outcomes across different social domains and time periods, yet involves minimal cost to the government and no additional burden either to respondents or program participants. PD&R uses both linked data in its research and makes linked data assets available to external researchers with appropriate data licensing protocols. Important aspects of such work in fiscal year 2018 will be partnering 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.

² See https://www.huduser.gov/portal/ushmc/chma_archive.html

³ See <https://www.huduser.gov/portal/pdf/ResearchRoadmap-2017Update.pdf>.

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Other research priorities for fiscal year 2018 include studies of the following:

- Leasing performance and success factors in the Housing Choice Voucher program;
- Impact of Federal Rental Housing Investments in Rural Markets;
- Assessing the extent to which Choice Neighborhoods planning grants and other HUD supported planning grants have served as a catalyst for private investment in local neighborhoods;
- Studies of key education topics including Early Development and Education of HUD-Assisted Children;
- Health studies including the effectiveness of the Lead Safe rule and health care costs for seniors; and
- Studies of housing market efficiency such as Understanding and Reducing Regulatory Barriers and Reducing Housing Preservation Costs through technology.

Technical Assistance

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. Continued investment in this work in fiscal year 2018 will ensure that HUD can continue to support its grantees and state and local partners that carry out much of the housing and community development work in America's communities.

Full funding at the requested level would allow HUD to continue to provide programmatic technical assistance to its grantees. The assistance will take the form of needs assessment, direct TA, tools and products, training, data analysis, and knowledge management. In fiscal year 2018, HUD will use TA funds for activities including:

- TA to assist public housing agencies (PHAs) and project-based owners to implement rent reforms and manage reduced funding levels;
- Training and guidance to HUD grantees to close out grants and programs in an efficient, orderly, and financially responsible manner;
- Training for PHAs, CPD grantees, and Multifamily owners on the Lead-Safe Housing Rule;
- TA to support self-sufficiency and empower HUD's beneficiaries; and
- Targeted TA to address troubled PHAs and local implementation of HUD programs.

Over the last few years of managing TA funds through a coordinated funding source, HUD has developed more efficient and streamlined processes to deploy and manage cross-departmental TA funds. As a result, the Department can obligate and deploy TA funding faster and more effectively, and grantees receive assistance sooner. To further streamline the TA award process and

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facilitate more timely delivery of TA, HUD is planning to significantly revise the Community Compass Notice of Funding Availability (NOFA) to allow for a two-year NOFA in fiscal year 2018. With this change, HUD would be able to award fiscal year 2018 TA funds, and provide the option to apply 2019 TA funds to a strong applicant consistent with HUD priorities on the basis of a single NOFA competition in fiscal year 2018. Any 2019 awards would be at HUD's discretion, and subject to the availability of appropriations and any other authority that may govern the award of the fiscal years 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 several accounts across HUD including McKinney-Vento, Public Housing Administrative Receivership, and Native American Housing Assistance and Self Determination Act. Any appropriated program TA investments will also be included in the two-year NOFA model. The two-year model will relieve administrative burden on HUD and applicants and ensure more prompt obligation of TA funds to applicants that have competed and demonstrated significant breadth of experience and expertise in assisting HUD grantees. If the TA priorities shift between fiscal years 2018 and 2019 in such a way that requires issuing a new NOFA, HUD commits to issuing a NOFA in fiscal year 2019 that would address any new or significant changes to priorities.

To further and continuously improve the program, HUD is currently in the process of implementing an outcomes measurement framework that will allow the agency to systematically measure whether the technical assistance outcomes were achieved, identify the types of TA that seem to be most effective, and collect feedback on HUD's investments in improving communities' capacity to implement HUD programs and policies. HUD used the fiscal year 2016 Research NOFA to solicit proposals for an assessment of the TA program's success.

Effectiveness of R&T

R&T-supported activities advance several key policy objectives:

- Improving self-sufficiency outcomes. The R&T request supports HUD's efforts to enhance the self-sufficiency and improve labor market outcomes for assisted households, which are key to helping families increase economic success and using assisted housing resources more efficiently. R&T supports several evaluation efforts that address aspects of self-sufficiency, including evaluations of the Family Self-Sufficiency program and the Resident Opportunity and Self-Sufficiency program, as well as the Jobs Plus Demonstration.
- Creating healthy, lead-safe homes. R&T will support healthy environments and safer housing for children to grow up in. The *Roadmap Update* identifies several healthy homes research priorities, including low-cost evaluations of HUD's smoke-free public housing rule and lead-safe housing rule, and integration of healthy housing questions and housing insecurity questions in the American Housing Survey.

R&T resources serve as a lever to multiply the impact of other assets:

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- R&T research funding gives HUD the ability to leverage the value of public investments for national surveys to answer policy relevant questions. Investments in the data infrastructure give policymakers, program managers and external practitioners situational awareness, some nearly in real time, about what is happenings in programs and housing markets.
- Data and analysis inform implementation of new policies and reforms. For example, HUD is using data to examine both the potential program cost savings and impact on tenants from various rent reform proposals (changes in tenant contributions, rents, utility allowances, etc.).
- Previously completed PD&R research offers enduring value for policy. For example, the Experimental Housing Allowance Program of the 1970s informs the work of the Moving to Work research advisory committee about how rent reforms could provide cost efficiencies and improve household self-sufficiency.⁴
- Data matching. HUD continuously strives to make greater use of existing data to leverage research funding without new data collection. PD&R has successfully partnered to match HUD tenant data with Medicaid utilization records to begin to identify opportunities for healthcare savings, with two major national health surveys to understand how housing assistance influences health, and with Department of Education records to test behaviorally informed approaches to increase student aid application and college enrollment by HUD-assisted residents. Linkage of data from HUD's major Moving to Opportunity demonstration with external data produced important new evidence about how neighborhood quality affects long-run economic success of children. These successful efforts to leverage HUD's data assets through data matching and low-cost experiments are described in the Data Infrastructure section of the *Research Roadmap: 2017 Update*.
- Research Partnerships. This initiative enables PD&R to enter into partnership with private entities to design and execute housing and community development research that they propose. Because proposers must provide at least 50 percent cost share and the research question and approach to answering the question, this investment leverages both private sector ideas as well as significant resources from philanthropic entities, federal, state, and local governmental agencies to conduct research on HUD policy relevant issues that support the Department's research priorities and policy interests. Recent partnerships are also listed in the *Research Roadmap: 2017 Update*.
- Data Licensing. To increase the availability of HUD data assets to researchers, PD&R developed a data licensing agreement in 2014 that provides safeguards for confidential data. During fiscal years 2015 and 2016, PD&R approved 32 data licenses. With no out-of-pocket cost, these agreements leverage substantial amounts of research aligned with HUD's research agenda.

R&T successes are documented in a number of ways:

⁴ See <https://www.huduser.gov/portal/pdredge/pdr-edge-frm-asst-sec-032017.html>

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- The *PD&R Biennial Report FY 2015–2016: Capacity, Research, Impact*⁵ describes PD&R’s more recent successes in building an evidence infrastructure that creates and uses data, analysis, and research to inform programs and drives that evidence into policy decisions. The infrastructure includes securing better vehicles for supporting research, such as noncompetitive cooperative agreements through Research Partnerships, learning more from existing data through efforts such as cross agency data matching, and investing in human assets.
- To accompany the *Research Roadmap: 2017 Update*, PD&R is making efforts to better inform stakeholders about the status and impact of research in connection with projects proposed in the Roadmap. These updates will be posted on HUDUSER.gov.

Technical assistance through R&T provided essential support for HUD program effectiveness in fiscal year 2016:

- 762 new TA activities across all 10 HUD regions;
- Training for 32,823 individuals in-person or through self-paced, remote live and recorded trainings, and there were 110,636 viewings of HUD TA training videos;
- The “Lead the Way Financial Management and Governance Curriculum” trained 1,319 PHA staff and board commissioners from 866 PHAs;
- Tribal HUD-VASH trainings for 108 Tribal HUD-VASH grantees’ staff and Department of Veteran’s Affairs Case Managers;
- Jobs Plus TA to HUD’s 24 Jobs Plus grantees, including a training conference, quarterly webinars, and the creation of a tool that will assist with grant implementation, monitoring, and analysis; and
- TA to the East Chicago Housing Authority included 1,380 counseling sessions completed through March 2017, as well as resident outreach and assistance with utility connections and relocations, and data collection and reporting.

⁵ See <https://www.huduser.gov/portal/publications/other/biennial-2015-2016.html> .

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**POLICY DEVELOPMENT AND RESEARCH
RESEARCH AND TECHNOLOGY
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Core R&T	\$50,000	\$9,110	\$59,110	\$57,389	\$49,905	\$2,109	\$52,014	\$50,000
Technical Assistance ..	25,000	22,000	47,000	44,788	24,952	2,210	27,162	25,000
Research, Evaluations, and Demonstrations ...	10,000	...	10,000	2,579	9,981	7,421	17,402	10,000
Capacity Building .....	...	...	...	...	...	...	...	...
Total	85,000	31,110	116,110	104,756	84,838	11,740	96,578	85,000

**POLICY DEVELOPMENT AND RESEARCH
RESEARCH AND TECHNOLOGY
Appropriations Language**

The fiscal year 2018 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, 2019: 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, or 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 2017 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, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

**FAIR HOUSING AND EQUAL OPPORTUNITY
FAIR HOUSING PROGRAMS
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

FAIR HOUSING PROGRAMS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$65,948 ^a	\$36,785	...	\$102,733	\$96,822	\$63,629
2017 Annualized CR	66,000 ^b	5,872	-\$124 ^c	71,748	66,837	66,000
2018 Request	<u>66,035^d</u>	<u>4,911</u>	...	<u>70,946</u>	<u>65,000</u>	<u>67,000</u>
Change from 2017	+35	-961	+124	-802	-1,837	+1,000

a/ The 2016 enacted level includes \$648 thousand collected in National Fair Housing Training Academy (NFHTA) fees.

b/ The 2017 annualized CR includes an estimated \$700 thousand in NFHTA fees.

c/ Continuing Resolution, Public Law 114-254, requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

d/ The 2018 request includes an estimated \$735 thousand in NFHTA fees.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The fiscal year 2018 President’s Budget of \$65.3 million is \$124 thousand more than the fiscal year 2017 Annualized CR level. The goal of this program is to provide equal access to housing opportunities. Housing is critical to many aspects of a person's life. The neighborhood a child grows up in has a large effect on their future: the quality of schools they attend, their health, and their future employment opportunities. Homeownership is one of the main ways to build wealth. Therefore, housing discrimination can have a compounding effect on its victims: the inability to move to an area with better schools can keep children from realizing their potential. In turn, this could prevent economically disadvantaged youth from escaping the cycle of poverty, and in turn leaving their children vulnerable to the same problems they experienced.

Fair Housing Programs

Fair Housing Activity	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request	Increase/Decrease From FY 2017
Fair Housing Initiatives Program (FHIP)	\$39,200,000	\$39,125,481	\$39,200,000	\$74,519
Fair Housing Assistance Program (FHAP)	24,300,000	24,253,806	24,300,000	46,194
Limited English Proficiency	300,000	299,430	300,000	570
National Fair Housing Training Academy (NFHTA)*	1,500,000	1,497,149	1,500,000	2,851
Program Total	\$65,300,000	\$65,175,866	\$65,300,000	\$124,134

*Does not include fees collected from program participants.

The Fair Housing Initiatives Program (FHIP) provides fair housing enforcement and education nationally. The request of \$39.2 million will continue to support 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 Programs

Fair Housing Initiative Program (FHIP)	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request	Increase/Decrease From FY 2017
Private Enforcement Initiative	\$30,350,000	\$30,275,481	\$30,350,000	\$74,519
Education and Outreach Initiative	7,449,935	7,850,000	7,850,000	0
Fair Housing Organizations Initiative (FHOI)	900,000	500,000	500,000	0
FIRST	500,065	500,000	500,000	0
Activity Total	\$39,200,000	\$39,125,481	\$39,200,000	\$74,519

The \$24.3 million Fair Housing Assistance Program (FHAP) request will 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;
- Deterrence of willful violators through increased severity, immediacy, or probability of penalties; and
- Educate potential victims both to assert their civil rights and to seek remedies.

Governmental agencies that participate in the FHAP serve as the principal civil rights enforcers in their communities and assist jurisdictions' fair housing compliance efforts. For fiscal year 2018, FHEO also intends to use its existing statutory authority (24 C.F.R. 115. 304 and 305) to enhance FHAP program outcomes through the award of Partnership funds and Special Enforcement Effort funds, subject to the availability of funds.

Fair Housing Programs

Fair Housing Assistance Program (FHAP)	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request	Increase/Decrease From FY 2017
Complaint Processing	\$17,000,000	\$17,370,545	\$17,370,739	\$194
Administrative Costs	4,400,000	4,492,011	4,498,011	6,000
Training	2,100,000	2,191,250	2,231,250	40,000
SEE Funding	800,000	100,000	100,000	0
Partnership	0	100,000	100,000	0
Activity Total	\$24,300,000	\$24,253,806	\$24,300,000	\$46,194

The Limited English Proficiency Initiative (LEPI) funding level request of \$300 thousand will provide:

- Department-wide language services contracts that support all HUD program offices efforts to fulfill its mission critical work.
- LEPI allows HUD’s communication, interaction, and education about housing, services, programs, and activities more accessible and meaningful for the general public.
- LEPI continues to support Fair Housing and Equal Opportunity’s responsibility to investigate housing discrimination complaints and the Offices of the Secretary, Field Policy & Management, Faith-Based and Community Initiatives, Housing Counseling, Public Affairs, and Lead Hazard Control and Healthy Homes in their efforts to fulfill national Administration driven initiatives and programs.

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Limited English Proficiency Initiative (LEPI)	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request	Increase/Decrease From FY 2017
LEPI	\$300,000	\$299,430	\$300,000	\$570

The National Fair Housing Training Academy (NFHTA) funding level request of \$1.5 million will provide:

- Consistent training nationwide on fair housing and conciliation techniques for investigators from the FHAP, HUD and other fair housing organizations. This is accomplished through a managed training curriculum; a program that helps ensure that the performance of these investigators meets national standards and that training is provided and available at a single point of contact nationally; and assured continuation and enhancement of an important national fair housing education clearing-house.

National Fair Housing Training Academy (NFHTA)	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request	Increase/Decrease From FY 2017
NFHTA	\$1,500,000	\$1,497,149	\$1,500,000	\$2,851

2. Request

Fair Housing Initiatives Program

The Fair Housing Initiatives Program (FHIP) was created under Section 561 of the Housing and Community Development Act of 1987 to establish and support a network of non-governmental, experienced fair housing enforcement organizations throughout the nation to foster compliance with the Fair Housing Act and state and local fair housing laws. This is the only grant program within the federal government whose primary purpose is to support private efforts to prevent and address housing discrimination, especially cases involving systemic patterns of discrimination that affect underserved areas. 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

Fair Housing Programs

more than 120 communities. These private organizations have advantages over HUD, state, and local agencies in handling complaints of housing discrimination: FHIP grantees provide on-the-spot assistance without the lengthy administrative and legal requirements of a formal legal complaint. When necessary, they do not hesitate to investigate and then file court cases on behalf of victims of discrimination. PEI grantees also conduct almost all fair housing testing in the country. These grants are critical to the pursuit of cases involving systemic patterns of discrimination that affect large numbers of people in underserved areas or individual cases in those areas.

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 concentrations 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 32,000 local education and outreach efforts, working with people in their communities to provide information, referrals, education and training on fair housing rights. These organizations also train lenders, housing providers, real estate agents, and others on how to comply with the Fair Housing Act. In addition, the Department awards a national fair housing education and outreach grant to disseminate a broad national fair housing message, which reaches over 384 television stations and 189 radio stations nationwide. Further, this national grant produced two videos for multimedia distribution to consumers and landlords such as: (1) How to file a Housing Discrimination Complaint: What Every Homebuyer and Renter Should Know; and (2) Fighting Housing Discrimination: One Family's Story. As a separate education program, Fair Housing Accessibility FIRST educates builders, designers, architects, and planners on the Fair Housing Act's accessibility requirements for multifamily housing.

To ensure the efficiency and effectiveness of FHIP, the Department conducts multiple reviews throughout the life of the grant. First, prior to awarding funding, the Department assembles a panel of fair housing experts to review grant applications and select the best organizations for funding. Secondly, during the grant application process, each grantee informs the Department of specific measurable outcomes it will achieve during the course of the grant, and reports to the Department quarterly on its progress on these goals. In addition, each year for every grant, the Department conducts a monitoring review of the grantee. This includes reviewing the grantees' cases, financial records, testing methodology, compliance with established procedures and grant requirements and the timeliness of investigations.

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 85 state and local government civil rights agencies to investigate and prosecute housing discrimination within their

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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. FHAP agencies plan and conduct investigations, interview parties and witnesses, gather and analyze evidence, facilitate resolution, and render determinations. Further, these agencies ensure compliance with settlement agreements and, where necessary, litigate complaints to address violations. The FHAP budget is formulated based on years of data regarding the projected level of cases from year to year and the associated administrative, technical-assistance and training costs for these cases. FHAP agencies also conduct education on fair housing and fair lending at events throughout their communities.

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. This is accomplished through department-wide language services contracts that support all HUD program offices efforts to fulfill its mission critical work. HUD continues to prioritize its efforts to comply with Executive Order 13166 by effectively providing information on its programs, services and housing to the LEP population that is timely, accurate and vital. LEPI is vital to ensuring that individuals who are not proficient in English are aware of their rights, able to understand the terms of leases and other housing-related documents, and able to receive important announcements that affect the health or safety of their households. In addition, the initiative educates HUD-assisted housing providers on their responsibilities under federal law and HUD regulations to ensure that their housing programs and activities are fully accessible to all, regardless of national origin or English proficiency. Finally, this initiative saves HUD staff time, as it helps HUD more efficiently communicate with, and thereby serve, the needs of people who are not fluent in English. HUD continues to work to fully implement the "HUD Speaks" campaign, which is designed to raise awareness of HUD's commitment to serve the LEP community in the most requested languages. Every year Congress has appropriated \$300,000 for HUD to fulfill its LEP requirements stated in Executive Order 13166. In fiscal year 2015, HUD expanded its LEP services to improve accessibility to HUD services, programs, and housing for LEP persons. This expansion of LEP services included expanding the type of services offered and the launching of the "HUD Speaks" campaign which focuses on the creation of tools to assist HUD staff in their communication and interaction with LEP persons. The HUD Speaks campaign includes the creation of posters, desk guides, and language cards to be utilized by HUD staff in the office or out in the field conducting inspections, investigations, and/or meetings. These tools allow the LEP person to identify their native language to the HUD staffer so further assistance can be provided. The key cost driver for LEPI is the continual increased demand for written translation and oral interpretation services seen by local fair housing organizations which has resulted from training staff on the types and uses of HUD's language services. In fiscal year 2018, HUD is requesting \$300,000 for LEPI.

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National Fair Housing Training Academy

Established in 2004, the Patricia Roberts Harris National Fair Housing Training Academy (NFHTA) was formed as a specialized Fair Housing Training Academy by the Office of Fair Housing & Equal Opportunity (FHEO). It is FHEO's goal through fee for service and appropriated funding, to train fair housing professionals nationwide on increasing the efficiency of complaint case processing and to raise industry standards on effective investigative techniques. The Academy administers a well-executed fair housing training program and fees collection to sustain its operations. The estimated fee collection for fiscal year 2017 is \$700 thousand. The overall result is fair housing professionals and housing industry personnel effectively enforcing the federal Fair Housing Act and substantially equivalent state and local fair housing laws.

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. With a faculty composed of some of the foremost experts in fair housing litigation, training, and research, NFHTA brings real-life experts to the classroom. NFHTA provides investigators with a 5-week certification program and offers advanced courses in predatory lending, accessibility, executive leadership, and conciliation. This investment into the future of fair housing and the capacity of fair housing professionals will allow the FHIP and FHAP programs to operate more efficiently and produce cases with larger impacts in coming years. NFHTA instructors regularly travel from their base in Washington, D.C. to 10 regional locations to accommodate trainees who cannot travel away from their jurisdictions due to state and federal budget constraints. In fiscal year 2016, NFHTA provided critical training to 519 students from primarily FHAP agencies and 79 FHEO employees. Cost factors include instructor time and travel costs and overhead, curriculum development and updates and development of consistent fair housing education materials.

Key Populations Fair Housing Programs serve:

While services are open and available to everyone, the primary beneficiaries of FHIP and FHAP are overwhelmingly minorities who face historical discrimination and persons with disabilities who through the programs benefit from investigation of their complaints of housing discrimination at the local level. NFHTA provides direct training to fair housing investigators at government agencies and nonprofit organizations; the instruction benefits all people in this country who avail themselves of these services. The LEPI initiative upholds Title VI of the Civil Rights Act of 1964, the Fair Housing Act, and Executive Order 13166 by making HUD housing, services, programs, and activities accessible to individuals that have limited English proficiency.

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;
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 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.

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>

Fair Housing Programs

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 2016 was 8,429; FHAP agencies processed 7,050, or 83.6 percent, of those complaints. This represents a 0.5 percent decrease from fiscal year 2015. FHAP agencies serve as the initial point of contact for persons who believe they have been subject to fair housing violations. In fiscal 2016, FHAP agencies initiated more than half (56.1 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 of the fair housing cases filed with HUD and FHAPs annually, and consistently reach determinations of reasonable cause in a higher percentage of cases than HUD – 5.3 percent for fiscal year 2016. The efficiencies of local processing also lead to greater timeliness by FHAP agencies almost half (47.7 percent) of all FHAP cases completed in fiscal year 2016 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

³ National Fair Housing Alliance, 2013 Fair Housing Trends Report; Modernizing the Fair Housing Act for the 21st Century, 2013.

Fair Housing Programs

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 2018, 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

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 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.

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

⁶ Ibid.

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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

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.

Here is one example of a successful resolution of a fair housing case. In 2013, after Irene Reynoso's disabilities made it difficult for her to manage her finances and her physical condition deteriorated, Ms. Reynoso made three reasonable accommodation requests to her landlord. The landlord refused to accept rent payments and tried to evict Irene Reynoso nine times from an apartment she had lived in for approximately 50 years. The California Department of Fair Employment and Housing (DFEH) a HUD-funded FHAP agency, filed a lawsuit in San Francisco Superior Court alleging housing discrimination on the basis of disability.

In November 2016, the case was settled, awarding \$575,000 to Ms. Reynoso, her sisters, the nonprofit Housing Equality Law Project (HELP) and requires the landlord to attend fair housing training, develop a reasonable accommodations policy, and post informational DFEH posters at all his rental properties.

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.

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 Programs

**FAIR HOUSING AND EQUAL OPPORTUNITY
FAIR HOUSING PROGRAMS
Summary of Resources by Program
(Dollars in Thousands)**

Budget Activity	2016 Budget Authority	2015 Carryover Into 2016	2016 Total Resources	2016 Obligations	2017 Annualized CR	2016 Carryover Into 2017	2017 Total Resources	2018 Request
Fair Housing Initiatives Program ..	\$39,200	\$28,947	\$68,147	\$67,239	\$39,126	\$900	\$40,026	\$39,200
Fair Housing Assistance Program	24,300	7,350	31,650	27,055	24,254	4,564	28,818	24,300
Fair Housing Limited English Proficiency Program	300	300	600	320	299	280	579	300
National Fair Housing Training Academy	<u>2,148</u>	<u>188</u>	<u>2,336</u>	<u>2,208</u>	<u>2,197</u>	<u>128</u>	<u>2,325</u>	<u>2,235</u>
Total	65,948	36,785	102,733	96,822	65,876	5,872	71,748	66,035

NOTE: The 2016 Budget Authority column, National Fair Housing Training Academy set-aside, includes appropriated funding and collected fees, per the Consolidated Appropriations Act, 2016, Public Law 114-113, which allows the Secretary to assess and collect fees to cover the cost of the National Fair Housing Training Academy.

**FAIR HOUSING AND EQUAL OPPORTUNITY
FAIR HOUSING PROGRAMS
Appropriations Language**

The fiscal year 2018 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, \$65,300,000, to remain available until September 30, 2019: 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 of Housing and Urban Development 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 2017 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, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

**LEAD HAZARD CONTROL AND HEALTHY HOMES
LEAD HAZARD REDUCTION
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

LEAD-BASED PAINT HAZARD REDUCTION PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$110,000	\$3,139	...	\$113,139	\$108,878	\$95,080
2017 Annualized CR	110,000	4,262	-\$209 ^{a/}	114,053	110,000	101,000
2018 Request	<u>130,000</u>	<u>4,053</u>	...	<u>134,053</u>	<u>130,000</u>	<u>101,000</u>
Change from 2017	+20,000	-209	+209	+20,000	+20,000	...

a/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The mission and goals of the Office of Lead Hazard Control and Healthy Homes is to promote healthy and lead safe homes through the identification and mitigation of lead based paint hazards in low income homes, especially those in which children under the age of 6 reside. The fiscal year 2018 President's Budget request of \$130 million, is \$20 million more than the fiscal year 2017 Annualized CR level.

2. Request

This request will allow the Department to fund four activities, for which the fiscal years 2016 – 2018 funding and request levels are as follows:

Lead Hazard Reduction

Lead Hazard Control and Healthy Homes Activity	FY 2016 Enacted	FY 2017 Annualized CR	FY 2018 Request	Increase/Decrease. from FY 2017
Lead Hazard Control (LHC)	\$41,982,984	\$43,000,000	\$55,000,000	\$12,000,000
Lead Hazard Reduction Demonstration (LHRD)	46,017,016	45,000,000	45,000,000	\$0
Healthy Homes (HH)	20,000,000	20,000,000	25,000,000	\$5,000,000
Lead Technical Studies and Programmatic Support (LTS)	2,000,000	2,000,000	5,000,000	\$3,000,000
Program Total	\$110,000,000	\$110,000,000	\$130,000,000	\$20,000,000

- a. Under the Lead Hazard Control Program, HUD will use \$55 million in grants to make 4,600 unassisted low-income older homes free of lead-based paint hazards, based on an average per-unit cost of \$12,000.
- b. Under the Lead Hazard Reduction Demonstration Program, HUD will use \$45 million in grants to make 3,800 unassisted low-income older homes free of lead-based paint hazards, based on an average per-unit cost of \$12,000.
- c. Under the Healthy Homes Program, HUD will use \$20 million in Healthy Homes Supplements to Lead Hazard Control and Lead Hazard Reduction Demonstration grants to mitigate 6,700 unassisted low-income older homes having lead-based paint hazards being controlled of multiple health hazards in order to address conditions that contribute to asthma, cancer, and unintentional injuries, based on an average per-unit cost of \$3,000, and will use \$5 million in grants and contracts to further our understanding of housing conditions and their connections to resident health, identify effective interventions and preventive practices, demonstrate health benefits of targeting interventions to reduce or eliminate health and safety hazards in homes, and provide technical support and training, grant management and evaluation tools regarding housing-related health and safety issues.

Lead Hazard Reduction

- d. Under the Lead Technical Studies and Programmatic Support Program, HUD will use \$5 million in grants and contracts to identify effective interventions and preventive practices for producing and maintaining lead safe housing, and provide technical support and training, grant management and evaluation tools regarding lead safety issues.

3. Justification

The mission of the Office of Lead Hazard Control and Healthy Homes (OLHCHH) 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. 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.

Lead Hazard Control

Lead paint in housing presents one of the largest threats to the health, safety, and future productivity of America's children. The OLHCHH's Lead Hazard Control programs currently include both the Lead Based Paint Hazard Control (LBPHC) and Lead Hazard Reduction Demonstration (LHRD) grant programs. Although they are similar in their overall goal of producing lead-safe homes for low-income residents, the LHRD grant program is focused, in accordance with the annual HUD Appropriations Acts, on jurisdictions with higher numbers of pre-1940 rental housing and higher rates of childhood lead poisoning cases. Funding assists States, Native American Tribes, cities, counties/parishes, or other units of local government to identify and eliminate lead-based paint hazards in low- and very low-income private housing where children under 6 years of age reside or are likely to reside. These programs are authorized under Section 1011 of the Residential Lead-Based Paint Hazard Reduction Act of 1992 (Title X of the Housing and Community Development Act of 1992; Public Law 102-550; 42 U.S.C. 4852; "Title X").

Healthy Homes

The Healthy Homes program goes beyond just addressing lead-based paint hazards and covers other serious threats to residents' health and safety. Grantees can use Lead Hazard Control funds to remove the lead paint in a residence, but these grants cannot clean up mold, install smoke detectors, replace lead-containing water supply components, or fix other unsafe or unhealthy conditions present in those same houses. Healthy Homes funding complements Lead Hazard Control grants to give communities a more holistic approach to creating and maintaining safe homes. Title X, which authorizes HUD's two Lead Hazard Control Grant Programs, addresses lead in residential paint, dust, and soil, but not lead in air or water, nor does it address other compounds, conditions, or biological materials in or around housing that can pose risks to residents. The major portion of the Healthy Homes funding is for the Healthy Homes Supplements to the Lead Hazard Control grants. These allow grantees – state and local governments – 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

Lead Hazard Reduction

the unassisted low-income older homes in which the grantees are controlling lead-based paint hazards. In addition to enabling grantees to address a broader range of housing-related health and safety hazards in these homes, 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 in regard to the lead hazard control work, with relatively small incremental efforts are needed in regard to the additional hazards, primarily in assessing homes for the presence of those hazards and conducting the hazard mitigation.

The OLHCHH's Healthy Homes program currently includes:

- Healthy Homes Supplemental funding for Lead Hazard Control Grants, which allows Lead Hazard Control grantees to conduct housing interventions to address multiple health hazards in addition to lead, including hazards that contribute to, trigger, or cause asthma, cancer, and unintentional injuries. Healthy Homes Supplemental funding can be used for replacement of lead service lines (which feed water from the street or alley water main to the home), while neither Lead Hazard Control nor Lead Hazard Reduction Demonstration funds can do so, because addressing lead in water is not within the scope of Title X. With heightened national interest in lead in residential water, HUD expects widespread use of Healthy Homes Supplement funds for lead service line and interior lead plumbing replacement. This work typically costs about \$2,000 - \$5,000 per housing unit, and is expected to increase the average per-unit expenditures under the Healthy Homes Supplement Program accordingly.
- Healthy homes 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 health-and-housing relationship and identify and address housing-related health and safety hazards.
- The Healthy Homes Technical Studies Grant Program, which develops and evaluates effective interventions and preventive practices to reduce or eliminate health and safety hazards in homes. The grant program and the related Lead Technical Studies Grant Program are discussed in the Technical Studies and Programmatic Support section below.

Technical Studies and Programmatic Support

For fiscal year 2018, the Department proposes \$10 million (including \$5 million from the Healthy Homes program) for Lead and Healthy Homes Technical Studies and Programmatic Support. The requested funding will continue the significant progress we have made to further our understanding of housing conditions and their connections to resident health. This 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 OLHCHH's lead and healthy homes technical studies and programmatic support activities advance and support OLHCHH programs. These activities include contracts, grants and cooperative agreements, technical support and training, grant management and evaluation tools, and interagency collaboration projects. The technical studies conducted under

Lead Hazard Reduction

these programs 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 program identifies and addresses home-based health and safety hazards that contribute to a wide range of illnesses and injuries, including lead poisoning, asthma, home injuries, and lung cancer.

Researchers have found that more children than previously thought have too much lead in their blood. The CDC redefined the level at which children are considered to have too much lead in their blood in January 2012, from a “level of concern” (a blood lead level of 10 micrograms of lead per deciliter of blood ($\mu\text{g}/\text{dL}$) in a child under age 6) to a new “blood lead reference range value” based on the distribution of blood lead levels among U.S. children under age 6. This change in the threshold increased the number of children considered to have too much lead in their bodies from less than 100,000 to about 535,000. Because this program targets children with too much lead in their blood, 435,000 more children than previously thought are in the most urgent need of its services. Twenty-three million U.S. homes have one or more lead based paint hazard, 1.1 million of which are low-income households with one or more children under age 6.¹ Because residential lead-based paint hazards are the primary source of lead intake for United States children,² continued investment and effort is needed to reduce lead hazards in older homes. This funding will be used to protect children against lead exposure by targeting the highest risk properties for priority action, to ensure that lead-safe practices are followed during renovation, repair and painting of pre-1978 homes, and to eliminate lead-based paint hazards in as many pre-1978 homes as feasible. This program has contributed to the significant decrease in childhood lead poisoning from the early 1990s to today.³

HUD has aligned its lead hazard control and research activities with the Department of Health and Human Services’ (HHS’) Healthy People 2020 Environmental Health objective 8.2, to, “Reduce the mean blood lead levels in children” aged 1 to 5 years from HHS’ baseline of 1.5 $\mu\text{g}/\text{dL}$ over the 2005–08 period, to HHS’ target for 2020 of 1.4 $\mu\text{g}/\text{dL}$.⁴ To maintain progress made and reduce remaining disparities, efforts must continue to test children at high risk for lead poisoning, and identify and control sources of lead. Coordinated prevention strategies at National, State, and local levels will help achieve the goal of eliminating lead poisoning in children. The OLHCHH’s lead hazard control grants and lead regulatory enforcement efforts will reduce the exposure by young children – particularly those most at risk – to lead-contaminated paint chips, dust, and soil. This will reduce the blood lead level in these children, and, over time, contribute to moving the national distribution of children’s blood lead values downward.

¹ Dewalt, G, Cox, D, O’Haver, R, et al. Prevalence of Lead Hazards and Soil Arsenic in U.S. Housing. *Journal of Environmental Health*. Vol. 78, no. 5, pp. 22-29, December 2015, <http://www.neha.org/node/6429>.

² Lanphear BP, Dietrich KN, Berger O. Prevention of lead toxicity in US children. *Ambulatory Pediatrics*. 2003 Jan-Feb;3(1):27-36. <http://www.ncbi.nlm.nih.gov/pubmed/12540251>.

³ Centers for Disease Control and Prevention. Low Level Lead Exposure Harms Children: A Renewed Call for Primary Prevention. 2012. http://www.cdc.gov/nceh/lead/acclpp/final_document_030712.pdf.

⁴ <http://www.healthypeople.gov/2020/topicsobjectives2020/objectiveslist.aspx?topicId=12>.

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Unhealthy and unsafe housing conditions continue to affect the health of millions of people from all income levels and geographic areas in the United States; however, these hazards disproportionately affect children, the poor, minorities, people with medical conditions, people with disabilities, and older adults. In addition to lead hazards, discussed above, the following housing-related health hazards are of particular importance:

- According to the most recent data available, more than 6.8 million housing units have radon levels above the current EPA action level; radon exposure causes approximately 21,000 deaths per year from lung cancer attributable to this preventable hazard.⁵
- Approximately 24 million homes have elevated levels of 4 or more different types of allergens that have been associated with increased negative health outcomes among residents with asthma.⁶
- Falls are the leading cause of non-fatal injuries for all children ages 0 to 19 and for older adults (65 years of age or older).⁷ Each year, approximately 2.8 million children and 2.4 million older adults have an initial emergency department visit for injuries from a fall.⁸ Research suggests that the total direct and indirect costs for unintentional injuries (e.g., falls, poisonings, fires) in the home have averaged over \$200 billion annually, with falls alone responsible for almost half of those costs.⁹

HUD grantees will use their Healthy Homes grants and supplemental funding to perform simple radon tests, remediate mold, install allergen filtering, and provide basic safety upgrades, such as installing grab bars and hand rails, repairing tripping hazards, fixing stairs, and installing safety bars or child locks on windows, among other actions.

As noted above, using Healthy Homes Supplemental funding along with Lead Hazard Control Grants will allow grantees to conduct housing interventions to address multiple health hazards in addition to lead.

⁵ U.S. Environmental Protection Agency. 2003. EPA Assessment of Risks from Radon in Homes. <http://www.epa.gov/sites/production/files/2015-05/documents/402-r-03-003.pdf>.

⁶ The number of homes was calculated by multiplying 18% (Salo PM, Arbes, Crockett PW, Thorne PS, Cohn RD, Zeldin DC. 2008. Exposure to multiple indoor allergens in US homes. *J Allergy and Clinical Immunology*. 2008 Mar; 121(3): 678–684.e2. <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2376121/>) by 133 million (U.S. Department of Housing and Urban Development and U.S. Census Bureau. (HUD and Census). 2013. American Housing Survey <http://www.census.gov/programs-surveys/ahs/data/2013/national-summary-report-and-tables---ahs-2013.html>).

⁷ Centers for Disease Control and Prevention, National Center for Injury Prevention and Control. Web-based Injury Statistics Query and Reporting System (WISQARS) [online]. Accessed August 15, 2013. <http://www.cdc.gov/injury/wisqars/>.

⁸ Centers for Disease Control and Prevention. 2008. CDC Childhood Injury Report: Patterns of Unintentional Injuries among 0-19 Year Olds in the United States, 2000-2006. <http://www.cdc.gov/safecild/images/CDC-ChildhoodInjury.pdf>; Centers for Disease Control and Prevention, National Center for Injury Prevention and Control. Web-based Injury Statistics Query and Reporting System (WISQARS) [online]. Accessed August 15, 2013. <http://www.cdc.gov/injury/wisqars/>.

⁹ Zaloshnja E, Miller TR, Lawrence BA, Romano E. 2005. The costs of unintentional home injuries. *American Journal of Preventive Medicine* 28(1):88-94. <http://www.ncbi.nlm.nih.gov/pubmed/15626562>.

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The Cost Burden of Unhealthy Housing

Researchers estimate that the health effects of poor housing conditions could cost billions of dollars annually in healthcare for asthma, lead-based paint poisoning and injury, as well as lost productivity in the labor force.¹⁰ The Lead Hazard Reduction and Healthy Homes programs are investments that pay off. Research has proven time and again that providing safe, decent and sanitary homes for the most at-risk American families more than pays for itself in lower health care costs and increased productivity.

- A 2011 study of the total annual costs of pediatric disease in American children estimated that the total cost of lead poisoning in 2008 was \$5.9 million in medical care costs and \$50.9 billion in lost economic productivity.¹¹
- In addition to the physical toll an at-risk home can have on its inhabitants (e.g., unnecessary emergency room visits annually due to housing-related injuries and illness), some research suggests that the cumulative financial burden of unhealthy homes for the nation is considerable. For example, one study estimates the total (direct and indirect) cost for unintentional injuries in the home at over \$200 billion annually, with \$90 billion of that due to falls alone.¹² Researchers found that nearly 30 percent of residential injuries among children in a randomized controlled trial could have been prevented by interventions.¹³ If the same proportion of preventable injuries were found for adults, the annual cost of preventable injuries in the home would be about \$60 billion.
- One study finds that the costs for asthma due to one root cause in the home – dampness and mold – could be \$3.5 billion annually.¹⁴ Other modifiable childhood asthma risk factors within the home (e.g., pet dander, cockroach allergen, use of stove or oven for home heating) were estimated to cost nearly \$1 billion.¹⁵

The high health-related costs of unsafe housing are matched by significant and enduring social costs. Researchers have found a clear relationship between elevated blood lead among children and their cognitive and behavioral impairment. “Even low levels of exposure appear to lower children’s IQ, which increases the need for enrollment in special education services, reduces the likelihood

¹⁰ Landrigan PJ, Schechter CB, Lipton JM, Fahs MC, Schwartz J. Environmental pollutants and disease in American children: estimates of morbidity, mortality, and costs for lead poisoning, asthma, cancer, and developmental disabilities. *Environmental Health Perspectives*. 2002 Jul;110(7):721-8.

<http://www.ncbi.nlm.nih.gov/pubmed/12117650>.

¹¹ Trasande L, Lui Y. 2011. Reducing The Staggering Costs of Environmental Disease in Children, Estimated at \$76.6 Billion In 2008. *Health Affairs*. 30 (5):863-870.

¹² Zaloshnja E, Miller TR, Lawrence BA, Romano E. 2005. The costs of unintentional home injuries. *American Journal of Preventive Medicine*. 28(1):88-94.

<http://www.ncbi.nlm.nih.gov/pubmed/15626562>.

¹³ Phelan KJ, Khoury J, Xu Y, Liddy S, Hornung R, Lanphear BP. A randomized controlled trial of home injury hazard reduction: the HOME injury study. *Archives of Pediatric and Adolescent Medicine*. 2011 Apr;165(4):339-45. <http://www.ncbi.nlm.nih.gov/pubmed/21464382>.

¹⁴ Mudarri D, Fisk WJ. 2007. Public health and economic impact of dampness and mold. *Indoor Air*. 17(3):226-35.

<http://onlinelibrary.wiley.com/doi/10.1111/j.1600-0668.2007.00474.x/full>.

¹⁵ Lanphear BP, Aligne CA, Auinger P, Weitzman M, Byrd RS. Residential exposures associated with asthma in US children. *Pediatrics*. 2001 Mar;107(3):505-11.

<http://www.ncbi.nlm.nih.gov/pubmed/11230590>.

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of high school and college graduation, lowers lifetime earnings (both through educational and IQ pathways), and greatly increases their propensity to engage in violent criminal activity."¹⁶

The work of the grantees funded through HUD's Lead Hazard Reduction program has led to real results. The prevalence of elevated blood lead levels in children under age 6 that are at least 10 micrograms per deciliter (≥ 10 mg/dl) decreased from 8.6 percent in 1988-1991 to 0.75 percent in 2003-2010, a 91 percent decline, according to the on-going National Health and Nutrition Examination Survey (NHANES) conducted by the CDC.¹⁷ HUD's lead hazard control grants have contributed to this decline in the more than 180,000 housing units treated under the program.

Costs and Benefits

The programs run by the HUD's Office of Lead Hazard Control and Healthy Homes offer high returns on investment. Study after study has proven that small investments ensuring that children grow up in healthy, lead-free homes provide a lifetime of benefits for both that child and society as a whole.

- Studies suggest that each dollar invested in interventions similar to those funded by HUD for:
 - Controlling lead paint hazards results in a return of \$17–\$221;¹⁸
 - Reducing household allergens, which contribute to or trigger asthma and allergies, results in a return of \$5.30-\$16.50;¹⁹ and
 - Installing battery-operated smoke alarms results in a return of \$18.²⁰
- Based on estimates of health benefits, as also noted above, the value of lead hazard control programs similar to those operated by HUD is conservatively estimated at \$30.6 billion based on the cost/benefit ratio of at least 17:1.²¹

¹⁶ Gould E. Childhood Lead Poisoning: Conservative Estimates of the Social and Economic Benefits of Lead Hazard Control. *Environmental Health Perspectives*. 2009 Jul; 117(7): 1162–1167. <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2717145/>

¹⁷ www.cdc.gov/nchs/nhanes.htm; www.cdc.gov/mmwr/preview/mmwrhtml/00048339.htm; www.cdc.gov/mmwr/preview/mmwrhtml/mm6213a3.htm?s_cid=mm6213a3_e.

¹⁸ Gould E., Childhood Lead Poisoning: Conservative Estimates of the Social and Economic Benefits of Lead Hazard Control. *Environmental Health Perspectives*. 117(7):1162-7. <http://ehp.niehs.nih.gov/0800408/>

¹⁹ Nurmagametov 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. [www.ajpmonline.org/article/S0749-3797\(11\)00314-X/fulltext](http://www.ajpmonline.org/article/S0749-3797(11)00314-X/fulltext). (Also available at www.thecommunityguide.org/asthma/supportingmaterials/Asthma%20Econ.pdf.)

²⁰ Children's Safety Network/Pacific Institute for Research and Evaluation. Injury Prevention: What Works? A Summary of Cost-Outcome Analysis for Injury Prevention Programs (2012 Update). www.childrendefsafetynetwork.org/sites/childrendefsafetynetwork.org/files/InjuryPreventionWhatWorks2012.pdf

²¹ Gould E., Childhood Lead Poisoning: Conservative Estimates of the Social and Economic Benefits of Lead Hazard Control. *Environmental Health Perspectives*. 117(7):1162-7. <http://ehp.niehs.nih.gov/0800408/>.

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- A study of the costs of childhood asthma from man-made environmental sources, both indoors and outdoors, as estimated at \$7 billion in direct and indirect costs in 2008.²² Outdoor sources are important to consider in the healthy homes context; poorly maintained and inadequately sealed homes will permit higher infiltration rates of outdoor air into the home. Exposure to dampness and mold in homes alone is projected by some researchers to contribute to approximately 21 percent of current asthma cases in the United States, at an annual cost of \$3.5 billion.²³ Another study suggests that for every \$1 spent on asthma reduction there is a \$5.30-\$16.50 return on investment.²⁴
- Minor to moderate remediation of housing hazards attributed to asthma, such as reducing interior moisture and improving indoor air quality, results in a substantial return for money invested. Following the guidelines in the National Asthma Education Prevention Program's (NAEPP) Expert Panel Report 3 (EPR3) concerning the need for environmental control measures for asthma, the Connecticut Department of Public Health conducted a study to explore the cost-effectiveness of housing interventions directed at mitigating conditions that exacerbated asthma. Net savings at 6 months' follow-up were estimated at \$267 per participant due to decreases in unscheduled acute care visits for adults and children.²⁵
- Working smoke alarms cut the risk of dying in a home fire in half.²⁶ Our grant programs have identified and addressed fire hazards in 1,524 units over the past 3 years.
- Approximately 21,000 radon-related lung cancer deaths annually are attributed to exposure to radon gas in the home, resulting in over \$2 billion per year.²⁷ Our grant program has tested for the presence of radon in 2,627 units over the past 3 years. Of these units tested, grantees found and remediated radon hazards in 181 units.

²² Trasande L, Lui Y. 2011. Reducing the Staggering Costs of Environmental Disease in Children, Estimated at \$76.6 Billion In 2008. *Health Affairs*. 30 (5):863-870. <http://content.healthaffairs.org/content/30/5/863.full>

²³ Mudarri D, Fisk WJ. 2007. Public health and economic impact of dampness and mold. *Indoor Air*. 17(3):226-35.

<http://onlinelibrary.wiley.com/doi/10.1111/j.1600-0668.2007.00474.x/full>.

²⁴ Nurmagambetov TA, Barnett SBL, Jacob V, Chattopadhyay SK, et al. 2011. Economic Value of Home-Based, Multi-Trigger, Multicomponent Interventions with an Environmental Focus for Reducing Asthma Morbidity. *American Journal of Preventive Medicine*. 41(2S1):S33-S47. www.ajpmonline.org/article/S0749-3797%2811%2900320-5/ppt.

²⁵ Nguyen KH, Boulay E, Peng J. 2010. Quality-of-Life and Cost-Benefit Analysis of a Home Environmental Assessment Program in Connecticut. *Journal of Asthma*. http://www.ct.gov/dph/lib/dph/hems/asthma/pdf/kims_final_published_airs_in_ct.pdf.

²⁶ Ahrens M. Smoke Alarms in US Home Fires. 2015. <http://www.nfpa.org/research/reports-and-statistics/fire-safety-equipment/smoke-alarms-in-us-home-fires>.

²⁷ U.S. Environmental Protection Agency (EPA). 2003. EPA Assessment of Risks from Radon in Homes. <http://www.epa.gov/sites/production/files/2015-05/documents/402-r-03-003.pdf>; U.S. Environmental Protection Agency (EPA). 2013. Radon. www.epa.gov/radiation/radionuclides/radon.html; Oster, Colditz, & Kelley. 1984. National Cancer Institute statistics of 14,400 annual radon lung cancer deaths.

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HUD Initiatives

HUD, through its Lead Hazard Control and Healthy Homes programs, continues to be a national leader in the effort to ensure that all children in America live in healthy and lead safe houses. HUD's goal, in conjunction with other federal, State, and local programs, is to eliminate lead poisoning in children nationwide as a major public health problem. It is working towards that goal in several different ways. Low-income residential units made lead-safe and healthy by HUD's grant programs are supplemented by units remediated by its regulatory enforcement actions, through our innovative public-private partnerships that promote cross-discipline housing and health interventions, and through collaborative efforts with other federal agencies.

HUD and its grantees are working on several initiatives to make its programs more effective.

- The OLHCHH plays an integral leadership role in updating and implementing the new Federal Lead Strategy to eliminate lead poisoning. HUD joins the Department of Health and Human Services and the Environmental Protection Agency along with several other federal partners to assess the progress of the 2000 Federal Lead Strategy and build an updated plan to identify and eliminate lead hazards and further protect children from being exposed.
- As part of implementing the federal Hurricane Sandy Rebuilding Strategy, the OLHCHH convened and chaired the interagency Indoor Environmental Pollutants Working Group, which created resources for the public, workers, and employers on reducing, cleaning up or remediating asbestos, lead, mold, and radon after disasters.²⁸ In addition to these resources, OLHCHH created a mobile application that helps homeowners and tenants learn about how to make homes safe and healthy after disasters.
- The OLHCHH is playing a leadership role in implementing the Coordinated Federal Action Plan to Reduce Asthma Disparities,²⁹ with a focus now on instituting and promoting policies and practices for housing interventions to control asthma triggers in both federally assisted and non-assisted low-income housing.
- The OLHCHH organized and managed the development of the overall federal healthy homes strategic plan, Advancing Healthy Housing – A Strategy for Action.³⁰ The Strategy for Action presents a vision for addressing the nation's health and economic burdens caused by preventable hazards associated with the home, and outlines the pathway for federal agencies to take coordinated preemptive actions that will help reduce the number of American homes with health and safety hazards. The Strategy was developed by the federal Healthy Homes Work Group, chaired by HUD, and the Work Group is monitoring its implementation.

²⁸ portal.hud.gov/hudportal/documents/huddoc?id=HSRebuildingStrategy.pdf.

²⁹ www.epa.gov/childrenstaskforce/federal_asthma_disparities_action_plan.pdf.

³⁰ portal.hud.gov/hudportal/HUD?src=/program_offices/healthy_homes/advhh.

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- The OLHCHH is currently working on a pilot that would harmonize the income eligibility criteria for its Lead Hazard Control grant programs with income eligibility criteria of other federal programs. Families that meet OLHCHH's income eligibility criteria may already participate in a number of other federal programs, such as DOE's Weatherization Assistance Program, the Supplemental Nutrition Assistance Program, Medicaid, or HUD's Housing Choice Voucher program. The purpose of the pilot is to increase the efficiency and effectiveness of OLHCHH's Lead Hazard Control grants' recruitment process by reducing duplication of income eligibility determinations for families that have already been deemed eligible for another federal program. The pilot would provide an opportunity to evaluate how standardized income eligibility requirements across federal programs decreases delays in enrolling eligible families into the various programs and see how best to set up this program to prevent improper payments.
- The Department is constantly working to enhance the way that it controls lead and deals with household hazards. Through collaborating with HUD Public and Indian Housing's Real Estate Assessment Center (REAC), we are working to standardize HUD's health and safety inspection protocols. REAC is undertaking a demonstration of a Uniform Physical Condition Standard for the Voucher Program inspection protocol that, if successful, could be used for a broad range of HUD's housing assistance programs. Upon validation of the protocol, likely within the next 4 – 6 years, our goal is to introduce new and enhanced methods based on an analysis of the grantees' data and outputs to control lead-based paint hazard and mitigate additional household hazards. Also, through the OLHCHH's new grants management software, the Office is gaining a better understanding of the hazards that grantees are identifying and the interventions that they are using.

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**LEAD HAZARD CONTROL AND HEALTHY HOMES
LEAD HAZARD REDUCTION
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Lead Hazard Control								
Grants	\$41,983	\$176	\$42,159	\$41,983	\$42,918	\$176	\$43,094	\$55,000
Technical Studies	2,000	1,163	3,163	1,284	1,996	1,879	3,875	5,000
Healthy Homes	20,000	1,800	21,800	19,593	19,963	2,207	22,170	25,000
Lead Hazard Reduction								
Demonstration	46,017	...	46,017	46,018	44,914	...	44,914	45,000
Research and Technology (transfer) .....	...	...	...	...	...	...	...	...
Total	110,000	3,139	113,139	108,878	109,791	4,262	114,053	130,000

**LEAD HAZARD CONTROL AND HEALTHY HOMES
LEAD HAZARD REDUCTION
Appropriations Language**

The fiscal year 2018 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, \$130,000,000, to remain available until September 30, 2019, 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 2017 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, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SALARIES AND EXPENSES

	FY 2016 ACTUALS				FY 2017 CR					FY 2018 President's Budget					FY 2017 to FY 2018	
	FTE	PS	NPS	Amount	FTE	PS	NPS	WCF	Amount	FTE	PS	NPS	WCF	Amount	FTE	Amount
<i>(Dollars in Thousands)</i>																
PROGRAM OFFICES																
Community Planning and Development	746.4	\$100,290	\$3,190	\$103,480	728.8	\$102,569	\$2,032	-	\$104,601	702.8	\$101,333	\$1,656	\$4,565	\$107,554	(26.0)	\$2,953
Fair Housing and Equal Opportunity	484.0	64,180	6,041	70,221	495.3	65,910	5,953	-	71,863	484.8	66,089	1,800	1,919	69,808	(10.4)	(2,055)
Office of Lead Hazard Control and Healthy Homes	44.6	6,559	212	6,771	44.3	6,760	277	-	7,037	43.4	6,784	211	605	7,600	(0.9)	563
Housing	2,602.3	351,894	11,923	363,817	2,541.5	349,423	24,814	-	374,237	2,430.5	342,308	11,001	12,520	365,829	(111.0)	(8,408)
Policy Development and Research	137.7	20,646	1,416	22,062	145.3	21,489	1,567	-	23,056	141.7	21,469	1,378	1,218	24,065	(3.6)	1,009
Public and Indian Housing	1,346.2	188,412	10,039	198,451	1,374.5	196,833	8,276	-	205,109	1,343.3	197,040	6,000	13,593	216,633	(31.1)	11,524
TOTAL	5,361.2	731,981	32,821	764,802	5,329.6	742,984	42,919		785,903	5,146.6	735,023	22,046	34,420	791,489	(183.0)	5,586
EXECUTIVE SUPPORT OFFICES																
TOTAL	79.5	12,478	1,022	13,500	71.0	11,222	2,552		13,774	80.3	12,961	973	774	14,708	9.3	934
ADMINISTRATIVE SUPPORT OFFICES																
Office of Chief Operation Officer	-	-	-	-	-	-	-	-	-	4.0	640	10,122	-	10,762	4.0	10,762
Office of the Chief Human Capital Officer	147.0	29,083	8,022	37,105	143.9	28,557	9,807	17,829	56,193	142.2	28,810	8,319	1,116	38,245	(1.8)	(17,948)
Office of Administration	229.5	30,451	180,238	210,689	227.6	30,861	176,344	-	207,205	240.1	33,346	171,532	995	205,873	12.5	(1,332)
Office of the Chief Financial Officer	174.4	32,876	17,755	50,631	174.7	33,517	20,868	24,190	78,575	177.1	34,658	12,061	3,621	50,340	2.4	(28,235)
Office of the Chief Procurement Officer	103.0	14,914	1,140	16,054	112.2	16,363	804	-	17,167	113.3	16,919	764	1,382	19,065	1.1	1,898
Office of Field Policy and Management	340.6	48,735	1,655	50,390	327.9	48,830	2,572	-	51,402	311.1	47,451	856	1,281	49,588	(16.8)	(1,814)
Office of Departmental Equal Employment Opportunity	17.0	2,672	495	3,167	18.3	2,717	592	-	3,309	19.5	2,968	353	249	3,570	1.2	261
Office of the General Counsel	582.2	89,722	3,853	93,575	557.2	88,143	6,177	-	94,320	535.9	86,827	3,600	1,579	92,006	(21.3)	(2,314)
Office of Strategic Planning and Management	27.6	3,949	489	4,438	32.0	4,512	239	-	4,751	27.7	4,007	183	285	4,475	(4.2)	(276)
Office of the Chief Information Officer	224.1	34,849	11,740	46,589	208.4	33,130	11,984	-	45,114	200.8	32,697	9,164	2,018	43,879	(7.6)	(1,235)
TOTAL	1,845.4	287,251	225,387	512,638	1,802.1	286,630	229,387	42,019	558,036	1,771.6	288,323	216,954	12,526	517,803	(30.5)	(40,233)
Working Capital Fund*			43,682	43,682				[42,019]					[48,569]			
TOTAL HUD Salaries and Expenses	7,286.1	1,031,710	302,912	1,334,622	7,202.8	1,040,836	274,858	42,019	1,357,713	6,998.5	1,036,307	239,973	47,720	1,324,000	(204.3)	(33,713)
Government National Mortgage Association	132.6	22,240	807	23,047	134.4	22,956	-	-	22,956	141.9	24,551	-	849	25,400	7.5	2,444
Office of Inspector General	610.0	97,395	28,410	125,805	593.0	97,400	28,361	-	125,761	573.0	97,647	28,353	-	126,000	(20.0)	239

* In FY16, funding was transferred from OCHCO and OCFO to the Working Capital Fund to pay for shared services. In FY17, funding for Shared Services remained in the OCHCO and OCFO accounts due to being under a Continuing Resolution Authority. In FY18, WCF total allocation is \$48.6M which includes GNMA's \$849K allocation. Each HUD Program Office was allocated funding for the working capital fund to pay Shared Services fees and other investments as directed by the Secretary.

The Department of Housing and Urban Development (HUD) requests \$1,324 million for Salaries and Expenses (S&E) accounts in fiscal year 2018 (excluding S&E for GNMA and OIG), which reflects a decrease of \$33.7 million and a reduction of 204.3 Full Time Equivalents (FTE) from the fiscal year 2017 Annualized Continuing Resolution (CR) levels. Overall, this request includes \$1,036.3 million for Personnel Services, \$240 million for Non-Personnel Services and \$47.7 million (\$48.6 million including GNMA's

Housing and Urban Development – Salaries and Expenses Overview

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 roles of promoting decent, safe and affordable housing for Americans and providing access to homeownership opportunities. The request aligns HUD's resources to our highest priorities, streamlining processes, centralizing enterprise-wide support functions and expanding on our continuous improvement efforts.

The fiscal year 2018 S&E budget is being requested in 8 accounts:

- Program offices including:
 - Community Planning and Development, \$107.6 million and 702.8 FTE;
 - Fair Housing and Equal Opportunity, \$69.8 million and 484.8 FTE;
 - Office of Lead Hazard Control and Healthy Homes, \$7.6 million and 43.4 FTE;
 - Housing, \$365.8 million and 2,430.5 FTE;
 - Policy Development and Research, \$24.1 million and 141.7 FTE.
 - Public and Indian Housing, \$216.6 million and 1,343.3 FTE;
- Executive Offices, \$14.7 million and 80.3 FTE;
- Administrative Support Offices, \$517.8 million and 1,771.6 FTE.

Description of Need

The fiscal year 2018 S&E request of \$1,324 million is approximately 3 percent of HUD's total request. The requested level support's 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. This 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 2018 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 2016 appropriations with one exception. Within the Administrative Support Offices account, we have added an Office of Chief Operations Officer (OCOO). The OCOO will be HUD's principal for implementing strategies to achieve the Administration's priorities of enacting

Housing and Urban Development – Salaries and Expenses Overview

greater efficiencies, eliminating wasteful resources, and streamlining operations. An additional focus area for the OCOO will be achieving improved enterprise data reporting that reflects real-time information for strategic decision making by HUD's leadership and enhanced data reporting to our external stakeholders. The request proposes authorization to transfer up to \$10 million of the OCOO budget to the Information Technology Fund and/or any other S&E account to support rental assistance reform efforts.

The budget also requests continued flexibilities for HUD to be able to be proactive and responsive in budget execution, applying resources where they make the most impact. The 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 million). Managing resources spread over multiple accounts is especially challenging, but HUD will continue to manage the offices separately. The Department looks forward to continue working with Congress to achieve a more streamlined budget structure, which would provide HUD the flexibility to efficiently make strategic realignments to support Administration priorities and emerging issues.

Working Capital Fund (WCF). The request continues the Department's goal of implementation of a true WCF. The objectives of the WCF are to centralize common administrative services, align incentives, drive efficiencies, and provide better data to executives. In fiscal year 2018, this will include initiatives to improve enterprise data operations that can provide HUD enhanced real time data reporting capability for both internal strategic decision making and external reporting to our stakeholders. Funding for the Department's shared services costs and other investments as determined by the Secretary will be paid out of the WCF. The request incorporates this funding within each Program Office, and anticipates that each Office will pay the WCF for its proportional use of goods and services.

Housing and Urban Development – Salaries and Expenses Overview

	TRAVEL	TRANS OF THINGS	RENT, UTIL, COMM	PRINTING	OTHER SERVICES	TRAINING	SUPPLIES	EQUIP.	CLAIMS	TOTAL
<i>(Dollars in Thousands)</i>										
PROGRAM OFFICES										
Community Planning and Development	\$800	-	-	\$5	\$743	\$100	\$8	-	-	\$1,656
Fair Housing and Equal Opportunity	925	-	2	5	500	345	23	-	-	1,800
Office of Lead Hazard Control and Healthy Homes	151	-	-	11	-	41	8	-	-	211
Housing	6,172	-	2	25	3,208	1,354	140	-	100	11,001
Policy Development and Research	285	-	-	130	668	229	25	-	41	1,378
Public and Indian Housing	2,671	25	8	44	1,963	1,179	33	39	38	6,000
Subtotal	11,004	25	12	220	7,082	3,248	237	39	179	22,046
EXECUTIVE SUPPORT OFFICES										
Subtotal	320	-	33	7	569	24	19	1	-	973
ADMINISTRATIVE SUPPORT OFFICES										
Office of Chief Operation Officer	-	-	-	-	10,122	-	-	-	-	10,122
Office of the Chief Human Capital Officer	336	-	-	-	5,413	2,268	58	76	168	8,319
Office of Administration	1,853	355	128,676	100	36,227	175	1,100	3,046	-	171,532
Office of the Chief Financial Officer	150	-	-	46	11,625	195	45	-	-	12,061
Office of the Chief Procurement Officer	66	-	-	1	412	229	56	-	-	764
Office of Field Policy and Management	787	-	-	-	25	40	4	-	-	856
Office of Departmental Equal Employment Opportunity	20	-	-	5	308	20	-	-	-	353
Office of the General Counsel	915	-	-	800	860	300	175	-	550	3,600
Office of Strategic Planning and Management	3	-	-	-	127	50	3	-	-	183
Office of the Chief Information Officer	223	-	-	2	8,686	208	35	-	10	9,164
Subtotal	4,353	355	128,676	954	73,805	3,485	1,476	3,122	728	216,954
TOTAL FY 2018 NON-PERSONNEL SERVICES										
	15,677	380	128,721	1,181	81,456	6,757	1,732	3,162	907	239,973
Government National Mortgage Association	-	-	-	-	-	-	-	-	-	-
Office of Inspector General	3,879	20	7,235	4	15,985	645	175	400	10	28,353

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
EXECUTIVE OFFICES**

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$12,478	\$11,222	\$12,961
Non-Personnel Services			
Travel	271	706	320
Rent and Utilities	30	55	33
Printing	4	15	7
Other services/Contracts	693	1,636	569
Training	6	91	26
Supplies	18	49	18
Non-Personnel Services Subtotal	\$1,022	\$2,552	\$973
Working Capital Fund (WCF)			\$774
Grand Total	\$13,500	\$13,774	\$14,708
Associated FTE	79.5	71.0	80.3

1. Program Purpose and Fiscal Year 2018 Budget Overview

The Executive Offices (EO) implement laws and policies and provide the overall direction and leadership for the Department of Housing and Urban Development (HUD). These offices are responsible for the overall development, implementation and management of HUD 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 HUD's latest activities; conduct hearings to make determinations concerning formal complaints or opposing actions initiated by HUD; ensure HUD'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

Executive Offices include:

- 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 Community Initiatives

The fiscal year 2018 President's budget of \$14,708K is \$934K more than the fiscal year 2017 Annualized CR level. However, the fiscal year 2018 President's Budget includes \$774K for EO's allocation towards the Working Capital Fund (WCF), whereas the fiscal year 2017 CR level does not. When the WCF is excluded from fiscal year 2018 President's Budget request, the remaining funds available to support salaries and expenses is \$13,934K, which is \$160K more than the fiscal year 2017 CR level. The EO's goals are to promote decent, safe, and affordable housing for Americans and provides 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: EO requests \$12,961K for personnel services to support 80.3 FTE. This reflects an increase of 9.3 FTE over fiscal year 2017 levels primarily due to the change in administration which resulted in the departure of 39 employees and the lag time for bringing new administration employees on board. This caused fiscal year 2017's estimated FTE utilization to be lower than anticipated.

Non-Personnel Services: EO requests \$973K for non-personnel services to support contracts and travel.

Working Capital Fund (WCF): EO requests \$774K 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
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 budget consolidates ten offices into one account. With this account structure, HUD will continue to manage the offices separately.

Administrative Support Offices Include:

- Office of Chief Operations Officer (New)
- Office of Chief Human Capital Officer
- Office of Administration
- Office of Chief Financial Officer
- Office of Chief Procurement Officer
- Office of Field Policy and Management
- Office of Departmental Equal Employment Opportunity
- Office of General Counsel
- Office of Strategic Planning and Management
- Office of the Chief Information Officer

Administrative Support Offices-Introduction

Salaries and Expenses			
<i>(Dollars in Thousands)</i>			
	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$287,251	\$286,630	\$288,323
Non-Personnel Services			
Travel	\$4,707	\$4,531	\$4,353
Transportation of Things	297	703	355
Rent, Communications, Utilities	124,451	128,756	128,676
Printing and Reproduction	1,044	1,204	954
Other Services	81,172	83,120	73,805
Training	3,601	4,272	3,485
Supplies	1,618	1,713	1,476
Furniture	7,020	3,160	3,122
Claims and Indemnities	1,477	1,929	728
Non-Personnel Subtotal	\$225,387	\$229,387	\$216,954
Working Capital Fund	43,682	42,019	12,526
GRAND TOTAL	\$556,320	\$558,036	\$517,803
Associated FTE	1,845.4	1,802.1	1,771.6

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF CHIEF OPERATIONS OFFICER (OCCO)**

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$640
Non-Personnel Services			
Travel	30
Printing	5
Other services/Contracts	10,062
Training	20
Supplies	5
Claims and Indemnities
Non-Personnel Services Subtotal	\$10,122
Working Capital Fund (WCF)
Grand Total	\$10,762
Associated FTE	4.0

1. Program Purpose and Fiscal Year 2018 Budget Overview

The Office of the Chief Operations Officer (OCCO) would oversee the day-to-day operations of the Department, focusing on the oversight and transformation of HUD's human capital, procurement, administrative, and information technology processes. Currently, the Chief Operations Officer is part of Executive Offices. The Budget proposes establishing this position within the Administrative Support Offices (ASO) to institutionalize a strong enterprise approach for efficient HUD operations. The OCCO would provide the long-term attention required to correct significant management challenges and modernize the Department's operations to achieve HUD's mission efficiently and effectively.

Administrative Support Offices – Chief Operations Officer

The OCOO will oversee a team that includes the Chief Human Capital Officer (CHCO), the Chief Procurement Officer (CPO), the Chief Information Officer (CIO), the Chief Administrative Officer (CAO), and the Director of the Office of Strategic Planning and management (OSPM) to ensure the operations and performance management of the Department are carried out efficiently and effectively.

The proposed establishment of the OCOO within the ASO recognizes that HUD needs to institutionalize and stabilize operations. This is particularly timely and critical given the need for operational leadership to implement rental assistance reforms and the Department's streamlining and workforce restructuring. The request also includes resources for the OCOO to drive effective management reporting critical to provide timely, accurate information necessary to support strong planning and execution of operational resources.

The fiscal year 2018 President's Budget provides \$10,762K in funding.

Personnel Services: OCOO requests \$640K for personnel services to support 4.0 FTE.

Non-Personnel Services: OCOO requests \$10,122K of which up to \$10,000K is available to be transferred to the Information Technology Fund or any other salaries and expenses account to support rental assistance reform efforts and workforce restructuring efforts within the Department—critical flexibility as resources will be necessary both to invest in technology and business process reforms to achieve efficiency.

Administrative Support Offices – Chief Operations Officer

2. Full-time Equivalents

Full-time Equivalents			
Staffing	FY 2016 FTE	FY 2017 FTE (Est)	FY 2018 FTE (Est)
Office, COO*	4.0
Total	4.0

* The COO position in fiscal years 2016 and 2017 was funded in the Executive Office appropriation.

3. Key Operational Initiatives

In addition to the traditional duties of the COO, the Office of the COO will oversee critical initiatives that will enable HUD to work more effectively and provide system changes needed to support rental assistance reform efforts.

- The fiscal year 2018 Budget proposes \$10 million that may be transferred to other operational accounts for rental assistance reform.
- The COO will lead workforce restructuring efforts as HUD moves forward in implementing the Administration’s vision for government improvement outlined in OMB Memorandum M-17-22, “Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce.”
- The President’s Budget also includes an initiative, funded by the Working Capital Fund, to improve management data reporting at HUD. HUD management systems in many areas are outdated, and not designed to operate together as a combined enterprise. There is no centralized data reporting repository to generate a consolidated management operations dashboards or reports, or other mechanism to provide automated, timely, accurate reports. Absent this capability, timely information is not available to provide the Department and its stakeholders insight into operations, increasing risk and limiting opportunities to achieve efficiencies. Making information data centrally available in a unified data-store, ensuring that the data meets basic data quality standards so that it can be interfaced with data from other sources, and producing quality reporting will support this initiative’s goal to maximize efficiencies in agency operations to provide the greatest value to the taxpayer.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICE
OFFICE OF THE CHIEF FINANCIAL OFFICER**

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	26,484	26,636	27,658
Common Distributable	6,392	6,881	7,000
Personnel Services Subtotal	\$32,876	\$33,517	\$34,658
Non-Personnel Services			
Travel	194	150	150
Printing	20	46	46
Other services/Contracts	17,359	20,432	11,625
Training	182	195	195
Supplies	-	45	45
Non-Personnel Services Subtotal	\$17,755	\$20,868	\$12,061
Working Capital Fund (WCF)	-	\$24,190	\$3,621
Grand Total	\$50,631	\$78,575	\$50,340
Associated FTE	174.4	174.7	177.1

1. Program Purpose and Fiscal Year 2018 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, fiscal responsibility, 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 implications of policy and legislative proposals and oversees budget activities throughout HUD.

The fiscal year 2018 President's Budget of \$50,340K, is \$28,235K less than the fiscal year 2017 Annualized CR level. This total includes \$3,621K for OCFO's allocation towards the Working Capital Fund (WCF) and the fiscal year 2017 CR level includes \$23,859K

Administrative Support Offices - Office of the Chief Financial Officer

in support of HUD-wide financial management shared services. The fiscal year 2018 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 \$27,658K to support an estimated 177.1 FTE – an increase of \$1,022K and 2.4 FTE from the fiscal year 2017 CR level. The net increase reflects the restoration of core supervisory budget staff and onboarding of key Budget, Accounting and Financial Management personnel, and is offset by reductions in non-personnel spending.

Common Distributable (CD): OCFO requests \$7,000K, an increase of \$119K from fiscal year 2017, to support its Common Distributable payments for Professional Liability Insurance, Worker's Compensation and Unemployment Compensation.

Non-Personnel Services (NPS): OCFO requests \$12,061 to support funding requirements for Travel, Printing, Contracts/Other Services, Training, and Supplies. The fiscal year 2018 request reflects a cost savings from OCFO's fiscal year 2017 contract consolidation and other efficiencies.

Working Capital Fund (WCF): In 2016, OCFO established the Department's WCF as provided in the 2016 Consolidated Appropriations Act. For fiscal year 2018, OCFO requests \$3,621K to pay WCF fees for shared services and other investments as directed by the Secretary. The fiscal year 2018 request reflects distribution of Shared Services costs throughout the Department.

2. Full-time Equivalents

Full-time Equivalents

Staffing	FY 2016 FTE	FY 2017 FTE (Est)	FY 2018 FTE (Est)
Immediate Office	1.3	4.5	6.5
Management Staff Division	17.2	15	12
Appropriations Law Staff	4	4	4
Assistant CFO for Budget	38.9	44.1	45.5
Assistant CFO for Accounting	28.1	24.5	26
Ft Worth Accounting Center	27.4	24	24
Assistant CFO for Financial Management	21.1	23.6	24.1
Assistant CFO for Systems	36.4	35	35
Total	174.4	174.7	177.1

3. Key Operational Initiatives

- Business Alignment to adapt Shared Services – OCFO’s business alignment to its operations under Shared Services may include restructuring, realignment and/or possible reorganization within the OCFO. These options are currently under consideration. In addition, HUD is working towards strengthening financial management and budgeting, through centralization of certain functions in the Department.
- Improve Financial Governance and make progress towards regaining our Clean Audit opinion – HUD will regain a clean audit opinion by strengthening 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 will be evaluated for discussion and resolution to address long-standing issues holistically. OCFO will reassess the changes in our program and financial environments through the application of federal accounting standards and financial management requirements. In addition, OCFO will seek external expertise and explore new options to resolve long-standing issues. This initiative will result in streamlined and compliant processes, expanded knowledge of program complexities and resolution of deviations in application of standards/requirements, improved financial information for better decision making and more reliable reporting, and resolution of

Administrative Support Offices - Office of the Chief Financial Officer

audit findings. In addition, the initiative will position the agency to identify and address potential issues before they arise to the material weakness level impacting the audit opinion.

- Building HUD staff financial skills – A continued key objective of OCFO is to recruit, retain, and develop highly-skilled financial management and budget staff. The request will continue to support the Training Academy, established in 2015, and other targeted training efforts to strategically deploy training resources across OCFO. These training investments will dovetail with other financial management improvement efforts, including the move to shared services for financial reporting and strong governance and coordination with program offices. The Training Academy provides curriculum-based financial training across the OCFO workforce with emphasis on improved internal controls and enterprise risk management, vigorous analytics, highly effective leadership and problem solving. OCFO's fiscal year 2018 training efforts will provide both broad and targeted learning opportunities and emphasize performance to achieve valued identifiable core financial competencies and apply them in their work assignments.
- Maturing the WCF - 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 2018, OCFO anticipates continued movement towards a true WCF, where offices will pay for their own use of WCF goods and services. OCFO will build on progress made in fiscal year 2017 from the establishment of sound financial management and governance practices. OCFO will continue working to refine the WCF price allocation model for all goods and services financed through the Fund, with emphases on transparency and replicability. Finally, OCFO will normalize the governance structure for the WCF as part of annual HUD operations, working closely in coordination with business line owners and customers. Please see the Congressional Justification for the WCF for more information.
- Develop Financial Management systems and processes to support the grants and loans programs within the HUD – the OCFO will work with OCIO and Program Offices to develop modernized business systems, policies and procedures for grant and loan programs affected by the replacement of HUD's legacy systems. OCFO's investment will seek to address existing audit findings and mitigate future audit risk to HUD for these mission-centric programs. Additionally, OCFO will support analysis of HUD's mission programs and facilitate proactive, data-driven management decisions by Program Offices.
- Contract Consolidation – OCFO will continue to review and scrub its Non-Personnel Services contracts to maximize efficiency and reduce duplication of efforts by consolidating contracts to better align with changes in Federal financial management requirements; focus on delivering value to the programs, leverage methods and approaches used by other federal agencies and identify opportunities to address new mandates.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF GENERAL COUNSEL**

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$89,722	\$88,143	\$86,827
Non-Personnel Services			
Travel	885	850	915
Transportation of Things	10	348	-
Printing	900	1,000	800
Other services/Contracts	588	1,400	860
Training	482	600	300
Supplies	214	400	175
Claims and Indemnities	774	1,579	550
Non-Personnel Services Subtotal	\$3,853	\$6,177	\$3,600
Working Capital Fund (WCF)			\$1,579
Grand Total	\$93,575	\$94,320	\$92,006
Associated FTE	582.2	557.2	535.9

1. Program Purpose and Fiscal Year 2018 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 of the Department. The General Counsel provides legal opinions, advice, and services with respect to all programs and Departmental activities, including the development of the Department's programs and policies. The General Counsel is also the head of the Departmental Enforcement Center (DEC), an organization of financial and enforcement analysts that enforces the Department's program requirements.

Administrative Support Offices - Office of General Counsel

In addition to conventional work performed by most departmental general counsel offices, HUD's Office of General Counsel (OGC) also conducts high-dollar value insured loan closings for multifamily housing, nursing homes, hospitals, and elderly and disabled housing programs. OGC, either exclusively or in partnership with DOJ, HUD OIG or HUD Program Offices, also generates recovery income for the Federal Housing Administration (FHA) Fund and pursues programmatic and fair housing enforcement actions.

The fiscal year 2018 President's Budget of \$92,006K is \$2,314K less than the fiscal year 2017 Annualized CR level. However, the fiscal year 2018 President's Budget includes \$1,579K for OGC's allocation towards the Working Capital Fund (WCF), whereas the fiscal year 2017 CR level does not. When the WCF is excluded from fiscal year 2018 President's Budget request, the remaining funds available to support salaries and expenses is \$90,427K, which is \$3,893K less than the fiscal year 2017 CR level.

Personnel Services (PS): Funding of \$86,827K will support 535.9 FTE, an overall decrease of 21.3 FTE from OGC's fiscal year 2017 Annualized CR staffing levels. OGC plans to achieve the reduction in FTE through normal attrition.

Non-Personnel Services (NPS): Funding of \$3,600K provides support for travel, printing, supplies, contracts, training, and claims and indemnities (attorney's fees for personnel litigation). The slight increase in travel funding is due to the reduced staffing levels for attorneys and the need to cover legal work in locations where counsel is no longer physically present. NPS funding supports access to various online legal research and legal support services as OGC continues to reduce its hard copy legal libraries. These services include Lexis/RELX, PACER, HeinOnline, West LegalEdcenter, cyberFeds, and Congressional Quarterly. The reduction in NPS is due to the overall decrease in HUD's budget.

OGC request includes an allocation of \$1,579K to pay 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 will be instrumental to implementing the Administration's regulatory reform efforts. On January 30, 2017, President Trump issued Executive Order 13771, "Reducing Regulation and Controlling Regulatory Costs." The Order caps the incremental costs that may be imposed by agencies through the issuance of new regulations and requires that "any new incremental costs associated with new regulations shall, to the extent permitted by law, be offset by the elimination of existing costs associated with at least two prior regulations." To accomplish the deregulatory goals of the Order, OGC will aid in the evaluation of existing regulations and work with HUD policy officials regarding their repeal, replacement, or modification.
- **Priority 2**: RAD transaction closings are expected to increase and require a significant amount of transactional work for HUD regional and field counsel. In fiscal year 2016, counsel reviewed 222 RAD transactions. In fiscal years 2017 and 2018, OGC expects to review approximately 360 RAD transactions each year. Additionally, there are 170 RAD transactions on the waiting list

Administrative Support Offices - Office of General Counsel

until the RAD statutory cap is lifted. There are also 15,000 letters of intent pending for the waiting list which could generate 170 more deals over the course of fiscal years 2018 and 2019.

- **Priority 3:** OGC leads the Department's efforts to enforce HUD program requirements and protect HUD assets. In fiscal year 2016, OGC efforts contributed to the: (1) recovery of over \$1,500,000K in losses to the FHA Fund; return of \$38,800K in program funds to HUD activities or the Treasury; return of \$18,000K to multifamily housing developments; suspension of 128 irresponsible parties from participation in federal programs; and debarment of 171 irresponsible parties debarred from participation in all federal programs.

2. Full-time Equivalent

Full-time Equivalents

Staffing	FY 2016 FTE	FY 2017 FTE (Est)	FY 2018 FTE (Est)
Immediate Office of The General Counsel	10	7	7
Deputy General Counsel for Operations	23	23	22
OGC Office of Fair Housing	21	20	18
Director, Departmental Enforcement Center HQ	20	18	17
DEC Satellite Office, Atlanta	17	18	17
DEC Satellite Office, Chicago	13	14	14
DEC Satellite Office, Fort Worth	15	16	16
DEC Satellite Office, Los Angeles	16	14	13
DEC Satellite Office, New York	14	14	13
Office of Program Enforcement	23	22	22
Office of Legislation and Regulations	12	13	13
Office of Finance and Administrative Law	29	29	29
Office of Ethics, Personnel Law and Appeals	20	20	20
Office of Insured Housing	21	21	21
Office of Assisted Housing and Community Development	25	25	24
Office of Litigation	20	18	16
Office of Regional Counsel, Region 1	21.2	20	19
Office of Regional Counsel, Region 2	29	27	25
Office of Regional Counsel, Region 3	27	24	22
Office of Regional Counsel, Region 4	41	39	38
Office of Regional Counsel, Region 5	46	40	38
Office of Regional Counsel, Region 6	35	35	34
Office of Regional Counsel, Region 7	20	19	18
Office of Regional Counsel, Region 8	18	17	17

Administrative Support Offices - Office of General Counsel

Staffing	FY 2016 FTE	FY 2017 FTE (Est)	FY 2018 FTE (Est)
Office of Regional Counsel, Region 9	33	33	32
Office of Regional Counsel, Region 10	13	11.2	10.9
Total	582.2	557.2	535.9

OGC has hired a class of approximately 20 Legal Honors at the end of each fiscal year, depending on available funding, to fill vacancies left by departing and retiring attorneys. This number will be significantly reduced, but not zeroed out in fiscal year 2018. This succession program has staffed OGC and the Department well for 50 years by recruiting qualified and committed legal staff dedicated to the Department’s mission.

3. Key Operational Initiatives

In the last eight years, OGC has reduced its physical imprint in field offices, reducing from 44 to 25 Offices of Chief Counsel. By the end of fiscal year 2018, OGC will have closed an additional two Offices of Chief Counsel. 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. OGC has reorganized its Offices of Regional Counsel, reducing the number of supervisory employees and creating greater flexibilities to address the increased workload. In fiscal year 2018, OGC plans to conduct 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 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$30,451	\$30,861	\$33,346
Non-Personnel Services			
Travel	1,631	1,853	1,853
Transportation of Things	259	355	355
Rent and Utilities	124,448	128,745	128,676
Printing	79	100	100
Other services/Contracts	45,204	40,967	36,227
Training	158	175	175
Supplies	1,172	1,100	1,100
Furniture and Equipment	6,934	3,046	3,046
Claims and Indemnities	353	3	-
Non-Personnel Services Subtotal*	\$180,238	\$176,344	\$171,532
Working Capital Fund (WCF)	-	-	\$995
Grand Total	\$210,689	\$207,205	\$205,873
Associated FTE	229.5	227.6	240.1

*FY 2016 actual includes \$4M of transfers of lapsed funds

1. Program Purpose and Fiscal Year 2018 Budget Overview

The Office of Administration (OA) plays a critical role in supporting HUD by providing a wide-range of administrative services, including management and operation of buildings nationwide, providing administrative services to all field offices, processing Freedom of Information Act (FOIA) requests, managing information throughout its life cycle, overseeing HUD broadcasting, and

Administrative Support Offices - Office of Administration

coordinating responses to disasters and emergencies. OA seeks to maximize the value of every taxpayer dollar by continuously improving planning, processes, accountability, and transparency, and through customer service feedback mechanisms.

The fiscal year 2018 President's Budget request of \$205,873K is \$1,332K less than the fiscal year 2017 Annualized CR level. This total includes \$995K for OA's allocation towards the Working Capital Fund (WCF). The majority of OA's request pays for rent and utilities, approximately \$128,676K. Approximately \$77,197K supports other core OA functions.

Personnel Services (PS): The fiscal year 2018 President's Budget provides \$33,346K in personnel services to support 240.1 FTEs. This is \$2,485K more than the fiscal year 2017 CR level. The Budget supports the funding of several key positions, offset by reductions in non-personnel services expenses, which provide leadership and subject matter expertise for critical Administrative functions. These positions will play a critical role in how HUD responds to disasters; responds and prevents privacy incidents; manages and maintains building infrastructure; processes FOIA requests; and manages its agency records. The additional FTE will allow HUD to adequately plan for and support FEMA mission assignments; minimize risk of delays and significant cost overruns in facility infrastructure projects; and reduce potential loss of records allowing HUD to comply with FOIA requests, decreasing its exposure to litigation and oversight risks.

Non-Personnel Services (NPS): The fiscal year 2018 President's Budget provides \$171,532K in non-personnel services. This is \$4,812K less than the fiscal year 2017 CR level, which primarily reflects the completion of several non-recurring special projects that are anticipated to be finalized in fiscal year 2017 (e.g., the Public and Indian Housing (PIH) and Community Planning and Development (CDP) office space consolidations). OA is reviewing all contracts to achieve efficiencies by rescoping, eliminating, and consolidating functions and services. 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;
- Disaster coordination, and personal security for the Secretary and Deputy Secretary;
- HUD rent, telecommunications, and utilities costs;
- HUD records management; and
- Obsolete furniture replacement and equipment for broadcasting operations.

Working Capital Fund (WCF): The fiscal year 2018 President's Budget also request \$995K to support WCF fees for shared services and other investments as directed by the Secretary.

Administrative Support Offices - Office of Administration

Priorities:

- 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 helps 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 – as best as it can to accommodate staff in the National Capital Region. At the same time, 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 2018, OA will dedicate approximately \$15 million of its non-rent and utilities budget for field support services, which are delivered through a consolidated approach and are funded centrally in OA. This enables HUD to leverage savings through economies of scale and increased efficiencies.
- One of OA's other top priorities is to continue improving how HUD manages information, such as requests by the public and records management. Under FOIA, Federal Agencies are required to disclose any information requested under the FOIA request – subject to certain exemptions. OA is committed to finding ways to improve FOIA operations (e.g., processing requests in an efficient, timely, and appropriate manner and achieving tangible, measurable improvements in FOIA processing). OA also is responsible for the management of information throughout its life cycle, from the time of creation or inscription to its eventual disposition, including identifying, classifying, storing, securing, retrieving, tracking and destroying or permanently preserving records. OA is committed to finding ways to improve operations that reduce and mitigate the risk associated with managing HUD's activities.

Administrative Support Offices - Office of Administration

2. Full-time Equivalents

Full-time Equivalents			
Staffing	FY 2016 FTE	FY 2017 FTE (Est)	FY 2018 FTE (Est)
Office of the Chief Administrative Officer	19	19	22
Executive Scheduling	3	3	3
Office of the Executive Secretariat	30	29	32
Field Support Services	102	101	101
Office of Disaster Management	20	20	21
Communications Support	24	24	25
Office of Facilities	31.5	31.6	36.1
Total	229.5	227.6	240.1

3. Key Operational Initiatives

- **Freeze the Footprint.** OA continues its effort to meet the goals outlined in OMB Memorandum M-12-12, Section 3, "Freeze the Footprint." In 2015 and 2016, HUD realized a space reduction of 116,219 square feet. In 2017 and 2018, HUD estimates that it will be able to eliminate another 58,011 square feet of space.
- **Headquarters Bathrooms.** 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 bathroom fixtures and operability.

Administrative Support Offices - Office of Administration

- **Customer Service.** OA continues to consolidate selected Customer Relations Management activities to improve customer experiences in areas such as accurate information, timely response, and providing savings and efficiency. Plans also include the ability to assess customer service experience across multiple areas with standardized metrics while ensuring front-line customer service representatives are prepared and supported in a robust manner.

FOIA. To date, OA has received 2,345 requests, a 14 percent increase from the same period in fiscal year 2016 and anticipates a similar workload increase in fiscal year 2018. The fiscal year 2018 President's Budget request supports the hiring of a critical management position that oversees FOIA requests. With this designated supervisor, OA will be able to strategically manage the anticipated additional FOIA requests.

- **Telephones.** As much as possible, OA has consolidated – and will continue to consolidate – service contracts to help reduce operating costs. For example, in fiscal year 2017, OA reduced the cost of telephone services for field offices by \$440K, or 22 percent compared to fiscal year 2016, by replacing aging, inefficient phone systems with modern digital systems with lower operating costs. OA estimates costs could be further reduced by \$160K, by further replacing aging phone systems, for a net \$1 million cost avoidance over the course of 2 years.
- **Privacy.** OA is developing a Privacy Program Plan and is implementing a strategic approach to comply with OMB Circulars A-130, "Managing Information as a Strategic Resource, A-108, Federal Agency Responsibilities for Review, Reporting, and Publication under the Privacy Act" and OMB Memorandum M-17-12, "Preparing for and Responding to a Breach of Personally Identifiable Information." This work is targeted for completion in 2018.
- **Records and Information Management.** OA is revising records retention schedules, implementing an E-mail Records Management via the Capstone Approach, and is implementing new policies to direct HUD to manage electronic records.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF THE CHIEF HUMAN CAPITAL OFFICER**

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$22,507	\$21, 657	\$21,910
Common Distributable	6,576	6,900	6,900
Personnel Services Subtotal	\$29,083	\$28,557	\$28, 810
Non-Personnel Services			
Travel	403	506	336
Rent and Utilities	3	11	
Printing	44	45	
Other services/Contracts	4,761	6,084	5,413
Training	2,259	2,700	2,268
Supplies	116	70	58
Furniture and Equipment	86	114	76
Claims and Indemnities	350	277	168
Non-Personnel Services Subtotal	\$8,022	\$9,807	\$8,319
Working Capital Fund (WCF)		\$17,829	\$1,116
Grand Total	\$37,105	\$56,193	\$38,245
Associated FTE	147.0	143.9	142.2

1. Program Purpose and Fiscal Year 2018 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 resource 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. According to the U.S. Government Accountability Office's (GAO) report "GAO-15619T," the federal government is facing workforce-related challenges that could affect

Administrative Support Offices – Office of the Chief Human Capital Officer

the ability of agencies to effectively carry out their missions. The Department faces two major challenges: 1) HUD has experienced the greatest percentage decline of permanent career employees across all CFO Act agencies from 2005 through 2014 and 2) HUD possesses the highest percentage of any agency of career permanent employees eligible to retire by 2019. This potential retirement wave could cause a significant loss of leadership and institutional knowledge at all levels. To address these challenges, OCHCO advises the Secretary and other principal staff on human capital efforts to ensure HUD recruits and retains individuals with the right skills to fulfill HUD's mission. OCHCO has employed a number of key human capital strategies to address HUD's human capital needs, and will build further upon them in fiscal year 2018. Specifically, in performing its responsibilities, OCHCO:

- Maintains the values of the federal civil service system including adherence to the merit system principles and equal employment opportunity requirements.
- Provides the Secretary and Deputy Secretary and other HUD leadership with expert human capital management advice and a high level of technical services that further the goals and objectives of the Department.
- Ensures that federal and HUD human capital goals, performance management, policies, and practices are communicated to all levels of management and to employees.
- Evaluates the effectiveness of human capital and resources programs.
- Strengthens employee engagement.
- Develops strategies to close agency skills gaps in mission critical areas.
- Provides leadership in the growth of agency competence, capability, and culture.

Separately, OCHCO's transactional work is outsourced to the Bureau of the Fiscal Service (BFS), a shared service provider. Reports show that BFS shared service accelerated HUD's hiring process (excluding the job classification and position descriptions) from 136 days to 98 days. In fiscal year 2018 OCHCO will continue to build on further improving the hiring processes.

OCHCO may seek a Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment (VERA/VSIP) from OPM for fiscal year 2018 and plans to submit a proposed reorganization plan. The reorganization will facilitate a better focus of OCHCO's resources on improving strategic planning, consultative capacity, and compliance oversight. The request for a VERA/VSIP and associated realignment of duties will also feed into the Department's efforts to streamline and centralize certain enterprise functions.

The fiscal year 2018 President's Budget of \$38,245K is \$17,948K less than the fiscal year 2017 Annualized CR level. This total includes \$1,116K for OCHCO's allocation towards the Working Capital Fund (WCF) and the fiscal year 2017 CR level includes 17,829K in support of HUD-wide human resource shared services.

- **Personnel Services (PS)**: OCHCO requests \$28,810K to support 142.2 FTE a decrease of 1.7 FTE from fiscal year 2017. The requested FTE support OCHCO in the areas of strategic human capital management, recruitment and staffing, departmental performance management and enterprise-level learning.

Administrative Support Offices – Office of the Chief Human Capital Officer

- **Common Distributable (CD)**: In addition to the above, the personnel services account includes \$6,900K in Common Distributable for fiscal year 2018. The CD account supports the following program activities: 1) Transit Subsidy; 2) Student Loan Repayment Program; and 3) Flexible Spending. The request assumes transit subsidy funding at the same level as fiscal year 2017 CR.
- **Non-Personnel Services (NPS)**: OCHCO requests \$8,319K for NPS for fiscal year 2018 to primarily support contracts and training. This request represents a reduction of \$1,488K from the fiscal year 2017 CR budget of \$9,807K.
- **Working Capital Fund (WCF)**: The reduction of \$16,713K represents funding that previously supported the Treasury Shared Service Provider (TSSP) agreement and Treasury's Franchise account (ARC) (that is, HR-End to End Services; InCompass; and HR-Connect) for the entire Department. In fiscal year 2017, the funding for HUD's TSSP and ARC agreements are being paid by the WCF, which is fully reimbursed by OCHCO funding. Starting in fiscal year 2018, each individual HUD office will pay for these, and other shared services, through the WCF based on a shared Department-wide billing model. The customer service support, oversight monitoring, and other operating activities will remain in OCHCO. For more information, please see the Congressional Justification for the WCF. OCHCO's 2018 request includes \$1,116K to pay working capital fund fees for shared services, and other investments as determined by the Secretary.

2. Full-time Equivalents

Full-time Equivalents			
Staffing	FY 2016 FTE	FY 2017 FTE (Est)	FY 2018 FTE (Est)
Office of the CHCO	6.0	10	10
Executive Resources	8.0	6.0	6.0
Accountability	6.0	3.0	3.0
Employee & Labor Relations	19.0	29.0	27.3
Center for Talent Management & Human Capital Strategy	53.0	38.0	38.0
Center for Talent Development and Planning	23.0	24.9	24.9
Center for Performance and Workforce Engagement	8.0	8.0	8.0
Center for Business Management and Administration	24.0	25.0	25.0
Total	147.0	143.9	142.2

3. Key Operational Initiatives

OCHCO is developing a reorganization plan to better align the organization with its new strategic and consultative focus. As a part of that effort, OCHCO may request buy-out/VERA VSIP authority from OPM in fiscal year 2018.

Buyout authority and reorganization plan will enable OCHCO maintain the optimum operational structure. The reorganization plan provides OCHCO the opportunity to re-align the number of staff in an office and hire the appropriate positions for quality management, data integrity, and oversight, and focus on human capital issues and policies. The request emphasizes statistical and data analysis, instructional systems design, and organizational development aligning OCHCO's performance capabilities with HUD's mission and strategic goals.

In fiscal year 2018, OCHCO will continue evaluating its contracts to achieve efficiencies, consolidate similar functions, and federalize functions where appropriate.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF FIELD POLICY AND MANAGEMENT**

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$48,735	\$48,830	\$47,451
Non-Personnel Services			
Travel	1,249	833	787
Other services/Contracts	320	1,695	25
Training	79	40	40
Supplies	7	4	4
Non-Personnel Services Subtotal	\$1,655	\$2,572	\$856
Working Capital Fund (WCF)			\$1,281
Grand Total	\$50,390	\$51,402	\$49,588
Associated FTE	340.6	327.9	311.1

1. Program Purpose and Fiscal Year 2018 Budget Overview

The Office of Field Policy and Management (FPM) executes locally driven strategies developed by community stakeholders, with resources and support from federal partner agencies, to produce opportunities and outcomes for communities at the place-based level. FPM staff conveys the President's and Secretary's management priorities to staff in all program areas, facilitates cross-programmatic collaboration when needed to achieve those priorities. Overall, FPM spearheads efforts to ensure federal resources are used effectively for community revitalization and economic development.

FPM supports the HUD disaster response and recovery effort, partnering with Federal and State agencies to implement disaster recovery assistance. FPM administers the Continuity of Operations Plan (COOP), which oversees and executes individual office plans to ensure that Primary Mission Essential Functions are performed during terrorist attacks, natural disasters, accidents, technological threats, and national security emergencies.

Administrative Support Offices – Field Policy and Management

In addition, 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. FPM's Davis Bacon office, located in each regional office, provides training and monitors local agencies for labor standards contract compliance.

The fiscal year 2018 President's Budget of \$49,588K is \$1,814K less than the fiscal year 2017 Annualized CR level. However, the fiscal year 2018 President's Budget includes \$1,281K for FPM's allocation towards the Working Capital Fund (WCF), whereas the fiscal year 2017 CR level does not. When the WCF is excluded from fiscal year 2018 President's Budget request, the remaining funds available to support salaries and expenses is \$48,307K, which is \$3,095K less than the fiscal year 2017 CR level.

Requested levels support the President's Budget Blueprint to improve overall operational efficiency in the Federal Government. FPM's request will primarily support:

Placed-based Initiatives – These initiatives revitalize high-poverty communities across the country by creating jobs, increasing economic activity, improving educational opportunities, reducing serious and violent crime, leveraging private capital, and assisting local leaders in navigating federal programs and cutting through red tape.

Personnel Services (PS): The Office of FPM is requesting \$47,451K to support 311.1 FTE, a decrease of 16.8 FTE from fiscal year 2017. 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. FPM's placed-based initiatives require travel by staff to support both ongoing operations and the growing number of communities participating in these initiatives (ConnectHome, Community Needs Assessments, Decreasing Veteran Homelessness, etc.) Support includes, but is not limited to, 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.

FPM also requests \$1,281K for Working Capital Fund (WCF) shared services expenses and other investments as determined by the Secretary.

Priorities: FPM ensures that HUD's 65 field and regional offices function as a common enterprise throughout the strategic planning process and provides seamless program delivery and customer service to the many HUD-served communities. The fiscal year 2018 budget request supports the following FPM overarching priorities:

Administrative Support Offices – Field Policy and Management

- **Place-Based Programs** - Locally-driven strategies that are developed by community stakeholders, with resources and support from Federal agency partners, to address issues that exist at the neighborhood level to produce opportunities and outcomes for communities.
- **Disaster Preparedness Readiness and Response Capability** – FPM staff implement the agency’s disaster preparedness, response and recovery efforts at all level. This includes implementing COOP and exercises across HUD field offices as part of the larger federal effort to ensure Continuity of Government, as well as staff and support for FEMA’s Joint Field Offices and Disaster Recovery Centers after disasters. Partnering with federal, state and local agencies, FPM staff serve as Field Coordinators and work directly with FEMA Federal Disaster Recovery Coordinators to plan, prepare and implement disaster recovery strategies. Appropriate field office staffing levels in disaster prone areas are critical.
- **Commitments to Maintaining Service Levels across the Country** – HUD is committed to ensuring continued levels of coverage and responsiveness across the nation. Where HUD has closed some small offices, the Office of FPM continues to provide technical assistance and customer service to stakeholders through more efficient operations, including work shared with nearby offices, teleconferencing, and travel.
- **Davis Bacon** - HUD has statutory/regulatory responsibility to ensure that HUD-funded housing projects or insured construction projects comply with Federal labor requirements. The Davis-Bacon Labor Standards and Enforcement (DBLSE) office monitors local agencies (Public & Indian Housing Authorities, Community Development Block Grant Entitlement communities, HOME Participating jurisdictions) for labor standards contract compliance. HUD field staff also provide Davis-Bacon labor standards training to local contracting agencies.

2. Full-time Equivalents

Full-time Equivalents			
Staffing	FY 2016 FTE	FY 2017 FTE (Est)	FY 2018 FTE (Est)
HQ	35.1	32.0	30.2
Davis Bacon (HQs and Field)	39.5	40.5	37.5
Region 1 – Boston, MA	18.0	17.0	16.0
Region 2 – New York, NY	26.0	26.0	24.0
Region 3 – Philadelphia, PA	30.0	30.0	29.0
Region 4 – Atlanta, GA	47.0	50.0	48.0
Region 5 – Chicago, IL	31.8	30.8	29.8
Region 6 – Fort Worth, TX	28.0	23.4	22.4
Region 7 – Kansas City, KS	17.0	16.0	15.0
Region 8 – Denver, CO	19.0	18.0	17.0
Region 9 – San Francisco, CA	26.5	22.5	21.5
Region 10 – Seattle, WA	22.7	21.7	20.7
Total	340.6	327.9	311.1

3. Key Operational Initiatives

FPM is leading 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. This major initiative capitalizes on HUD’s strong foundation rooted in customer service and provides a mechanism to operationalize a framework that enables coordination, integration, and collaboration amongst all department CRM activities. Through this initiative, the following six focus areas will be addressed in an evidence based manner:

- Reducing a complex, unintuitive front door for customers
- Establishing an organic culture of strong customer service

Administrative Support Offices – Field Policy and Management

- Realizing customer relationship data across cylinders
- Eliminating decentralized processes and fragmented communication
- Implementing an efficient and cost-savings approach
- Flexible customer service staffing and training across cylinders

In addition, FPM leads in conceptualizing, developing and implementing information-based tools that have been accepted and used by HUD program areas and by their customers and clients. Examples include the Housing Resource Locator and Community Assessment Reporting Tool (CART), which provides a snapshot of HUD's investments in a community, enabling HUD staff, federal partners, external stakeholders, and elected officials access to relevant information at the click of a button. With its release, both internal and external stakeholders can view HUD's investments at five different levels of geography (City, County, Metropolitan area, State, and Congressional District). This tool enhances data transparency to the public.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF THE CHIEF PROCUREMENT OFFICER**

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$14,914	\$16,363	\$16,919
Non-Personnel Services			
Travel	129	66	66
Printing		1	1
Other services/Contracts	697	452	412
Training	243	229	229
Supplies	71	56	56
Non-Personnel Services Subtotal	\$1,140	\$804	\$764
Working Capital Fund (WCF)	-	-	\$1,382
Grand Total	\$16,054	\$17,167	\$19,065
Associated FTE	103.0	112.2	113.3

1. Program Purpose and Fiscal Year 2018 Budget Overview

The Office of the Chief Procurement Officer (OCPO) supports the agency mission by providing acquisition support for the creation of strong, sustainable, inclusive communities and quality affordable homes for all. OCPO is responsible for managing the agency acquisition workforce and conducting procurement activities. OCPO operates offices in Atlanta, Fort Worth, Denver, Chicago, Philadelphia, and Washington D.C.

The fiscal year 2018 President's Budget of \$19,065K is \$1,898K more than the fiscal year 2017 Annualized CR level. However, the fiscal year 2018 President's Budget includes \$1,382K for OCPO's allocation towards the Working Capital Fund (WCF), whereas the fiscal year 2017 CR level does not. When the WCF is excluded from the fiscal year President's Budget request, the remaining funds available to support salaries and expenses is \$17,685 which is \$518K more than the fiscal year 2017 level.

Administrative Support Offices – Office of the Chief Procurement Officer

Personnel Services: OCPO requests \$16,919K to support 113.3 FTE, a slight increase of 1.1 FTE over fiscal year 2017. The increase of \$556K over the fiscal year 2017 CR level will also support the projected salary increase and career ladder promotions.

Non Personnel Services: OCPO requests \$764K for contracts, training, travel and supplies. OCPO also requests a Working Capital Fund allocation of \$1,382K to pay fees for shared services and other investments determined by the Secretary.

OCPO funding is for staffing and support services in OCPO and acquisition workforce training for the agency. As part of the good stewardship of those funds OCPO is dedicated to improving the efficiency, timeliness, and quality of services provided. OCPO continues to lead multiple transformation efforts. Core efforts include the implementation of an enterprise acquisition management solution, conducting business process reengineering, and implementing robust strategic acquisition planning processes. OCPO follows a strategic plan based in organizational transformation.

OCPO is focused on improving the quality of all three pillars of the acquisition workforce – Contracting Officers, Contracting Officer Representatives, and Project/Program Managers. OCPO has emphasized training and Federal Acquisition Institute (FAI) certifications and implemented a performance management and accountability culture within OCPO. With the implementation of the enterprise acquisition system, HUD developed and measured several metrics primarily focused in areas of Acquisition Planning and Execution. For a core metric, Contractor Performance Reporting System (CPARS) timeliness, HUD is one of the top five federal agencies. This means that OCPO is working to hold contractors accountable for the work they produce.

2. Full-time Equivalents

Full-time Equivalents

Staffing	FY 2016 FTE	FY 2017 FTE (Est)	FY 2018 FTE (Est)
Office of Chief Procurement Officer	8.0	8.0	8.0
CPO, Customer Service Support Staff	6.0	6.0	6.0
CPO, Field Contracting Operations Division	40.0	45.0	45.0
CPO, Program Support Branch	15	16.2	17.3
CPO, Policy and Systems	14.0	14.0	14.0
CPO, Administration and Management Support	20.0	23.0	23.0
Total	103.0	112.2	113.3

3. Key Operational Initiatives

- Reduce Pain Points in the Acquisition Process: Improving the quality of activities and timeliness, and implementing an approach that manages risk to maximize benefit to our agency customers.
- Optimize Workload Management: Distribute work evenly while decreasing duplicative activities. This includes OCPOs continued work with a shared service provider.
- Increase Productivity and Efficiency: Identify inefficiencies, reduce downtime, and maintain a transformative culture.
- Improve Employee Satisfaction: OCPO’s FEVS scores have shown improvement for the past two years running; OCPO plans to build on that with reduced skill gaps and increased leadership development.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF DEPARTMENTAL EQUAL EMPLOYMENT OPPORTUNITY**

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$2,672	\$2,717	\$2,968
Non-Personnel Services			
Travel	41	45	20
Printing	3	10	5
Other services/Contracts	356	392	300
Training	73	75	20
Supplies	22	10	8
Claims and Indemnities		60	
Non-Personnel Services Subtotal	\$495	\$592	\$353
Working Capital Fund (WCF)			\$ 249
Grand Total	\$3,167	\$3,309	\$3,570
Associated FTE	17.0	18.3	19.5

1. Program Purpose and Fiscal Year 2018 Budget Overview

The purpose of ODEEO is to prevent 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, or other non-merited factors. ODEEO is accountable for enforcing laws and ensuring compliance in accordance with Federal regulations and statutes, including Title VII of the Civil Rights Act of 1964, the Rehabilitation Act of 1973, 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, as well as Executive Orders and HUD (Department) policies.

A primary objective of ODEEO is to continuously reduce formal EEO complaints by 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

Administrative Support Offices - Office of Departmental Equal Employment Opportunity

to the federal government and the American taxpayer. ODEEO is responsible for verifying that the Department recruits, hires, trains, develops, promotes, rewards, and disciplines employees in a fair and consistent manner, solely based on merit. ODEEO has nationwide culpability for the Department's Equal Employment Opportunity (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 promote diversity and inclusion within the Department's workforce.

The fiscal year 2018 President's Budget of \$3,570K is \$261K more than the fiscal year 2017 Annualized CR level. This total includes \$249K for ODEEO's allocation for the Working Capital Fund (WCF).

Personnel Services (PS): ODEEO requests \$2,968K for personnel services. This is \$251K above the fiscal year 2017 CR level and will provide an additional 1.2 FTE to support faster resolution of equal employment opportunity complaints, support the federal pay raise, within grade increases, and promotions. The additional FTE are necessary to process and adjudicate cases in a timely manner, reduce processing times, and ensure HUD remains compliant with timeframes outlined in Public Law to minimize the potential of adverse judgements.

Non-Personnel Services (NPS): ODEEO requests \$353K to support contracts, travel, printing, training, and supplies.

- Other Services/Contracts are reduced by \$94K from fiscal year 2017 CR levels since ODEEO staff will begin to perform some functions currently achieved via contracts.
- Efficiencies will be gained and travel requirements reduced by \$25K from fiscal year 2017 CR levels by more fully utilizing Video Teleconference capabilities.

2. Full-time Equivalents

Full-time Equivalents			
Staffing	FY 2016 FTE	FY 2017 FTE (Est)	FY 2018 FTE (Est)
Office, Director/Deputy	5.0	6.0	6.0
Office, Affirmative Employ	3.0	4.0	4.0
Office, Equal Employment	9.0	8.3	9.5
Total	17.0	18.3	19.5

3. Key Operational Initiatives

Improve responsiveness for EEO complaints: ODEEO has made great progress in improving responsiveness. The request will support further progress to 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. The increased funding for additional positions and program initiatives, partially offset by non-personnel funding reductions, will enable ODEEO to further reduce EEO processing times and resolve more disputes early and at the lowest possible level.
- Due to training programs and resources that were designed to foster a diverse and inclusive work environment at the Department, HUD achieved a 4-point increase on the NEW IQ inclusion metric in the 2016 Federal Employee Viewpoint Survey. The IQ inclusion metric measures employees’ feelings about fairness and opportunity in their organizations. 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 and improve an inherently intangible aspect of group interaction, which the inclusion index scores help quantify. Increased funding is needed to build on this success and to support development of strategies to address underrepresentation in the Department’s workforce. A diverse and inclusive work environment at the Department likely will result in fewer formal EEO complaints, which will mean lower costs overall in terms of administrative costs and potential judgement awards.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF STRATEGIC PLANNING AND MANAGEMENT**

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$3,949	\$4,512	\$4,007
Non-Personnel Services			
Travel	8	5	3
Other services/Contracts	478	181	127
Training	-	50	50
Supplies	3	3	3
Non-Personnel Services Subtotal	\$489	\$239	\$183
Working Capital Fund (WCF)	-	-	\$285
Grand Total	\$4,438	\$4,751	\$4,475
Associated FTE	27.6	32.0	27.7

1. Program Purpose and Fiscal Year 2018 Budget Overview

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. OSPM identifies strategic priorities and manages risk, monitors key performance measures against established targets, and sets policy and oversees the award of HUD's competitive grants.

OSPM consists of four divisions: (1) Front Office Operations, (2) Transformation, (3) Performance, and (4) Grants Management and Oversight. In accordance with new A-123 internal control requirements, the Chief Risk Officer was established in OSPM in fiscal year 2017 to conduct an Enterprise Risk Management program for HUD. OSPM manages the GrantSolutions shared service through HHS which is automating the awards process for HUD grant programs. It manages the HUDstat business intelligence tool to inform data-driven decision making among program management and leadership. OSPM's key workload indicators are timeliness of award for HUD's competitive Notices of Funding Availability, number of transformation projects initiated and completed, and the number of outcome metrics achieved in HUD's annual performance plan.

Administrative Support Offices – Office of Strategic Planning and Management

The fiscal year 2018 President's Budget of \$4,475K is \$276K less than the fiscal year 2017 Annualized CR level. However, the fiscal year 2018 President's Budget includes \$285K for OSPM's allocation towards the Working Capital Fund (WCF), whereas the fiscal year 2017 CR level does not. When the WCF is excluded from fiscal year 2018 President's Budget request, the remaining funds available to support salaries and expenses is \$4,190K, which is \$561K less than the fiscal year 2017 CR level. This request aligns with the elimination of funding for several of HUD's lower priority competitive grants for which OSPM currently provides administrative oversight. The President's Budget recognizes that State and local governments are better positioned to address local community and economic development needs.

Personnel Services (PS): OSPM requests \$4,007K to support 27.7 FTE which is a decrease of 4.3 FTE from the fiscal year 2017 CR level.

- In line with the proposal to eliminate eight competitive grant programs, OSPM will target staff reductions in the Grants Management and Oversight division. The proposed staffing levels will enable HUD to continue to manage and oversee the remaining programs and continue the implementation of the GrantSolutions shared service to automate the award process.
- Reductions in reporting requirements achieved through the President's Reform Plan will enable OSPM to absorb reductions in its Performance Division. Proposed staffing levels align with the elimination of lower priority programs thereby streamlining requirements for reporting in the strategic plan and annual performance plan and report.
- The request seeks to minimize attrition in the Transformation Division and dedicates non-personnel services funding in support of HUD's Enterprise Risk Management program.

Non-Personnel Services (NPS): OSPM requests \$183K to primarily support contracts and training.

Working Capital Fund (WCF): OSPM requests \$285K to support WCF fees for its shared services costs and other investments as directed by the Secretary.

2. Full-time Equivalents

Full-time Equivalents			
Staffing	FY 2016 FTE	FY 2017 FTE (Est)	FY 2018 FTE (Est)
Operations	4	4.5	4.5
Performance	7	8.5	7.2
Transformation	7	9	9
Grants Management and Oversight	9.6	10	7
Total	27.6	32	27.7

3. Key Operational Initiatives

- OSPM intends to use Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payments (VSIP) authority, and reassign staff, if attrition does not align to proposed reductions.
- The Enterprise Risk Management program was initially established and funded in the Office of Chief Financial Officer (OCFO) and transferred into OSPM in fiscal year 2017. OSPM’s level for the Transformation Division absorbs the contract support previously funded in OCFO.
- OSPM is managing the enterprise risk program through the efforts of staff in individual program office risk functions.
- OSPM is consolidating and streamlining requirements around Front End Risk Assessments and FAIR Act reporting that previously resided in OCFO.
- Requirements development around the Continuum of Care grants will inform decision-making on future grants management system consolidation efforts. OSPM is examining requirements system support for grantee monitoring and pre-award risk.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ADMINISTRATIVE SUPPORT OFFICES
OFFICE OF CHIEF INFORMATION OFFICER**

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$34,849	\$33,130	\$32,697
Non-Personnel Services			
Travel	195	223	223
Printing	1	1.5	2
Other services/Contracts	11,311	11,507	8,686
Training	198	208	208
Supplies	35	35	35
Attorney's Fees	-	10	10
Non-Personnel Services Subtotal	\$11,740	\$11,984	\$9,164
Working Capital Fund (WCF)	-	-	\$2,018
Grand Total	\$46,589	\$45,114	\$43,879
Associated FTE	224.1	208.4	200.8

1. Program Purpose and Fiscal Year 2018 Budget Overview

The Office of the Chief Information Officer (OCIO) at the Department of Housing and Urban Development (HUD) was established on December 1, 1998, in accordance with specific regulatory requirements of the Clinger-Cohen Act (formerly known as the Information Technology Management Reform Act); OMB Circular A-130, Management of Federal Information Resources; and the Paperwork Reduction Act of 1995. The OCIO is led by the Chief Information Officer (CIO). The CIO reports to the Office of the Secretary/Deputy Secretary, and advises the Secretary/Deputy Secretary and other HUD senior managers on the strategic use of Information Technology (IT) to support core business processes, and to achieve mission critical goals. The CIO is responsible for providing modern information technology that is secure, accessible and cost effective while meeting customer needs and exceeding their expectations while ensuring compliance with applicable regulatory requirements.

Administrative Support Offices - Office of Chief Information Officer

Additionally, the Federal Information Technology Acquisition Reform Act (FITARA) enacted on December 19, 2014 outlined specific requirements related to: Agency (CIO) Authority Enhancements; Enhanced Transparency and Improved Risk Management in IT Investments; Portfolio Review; Federal Data Center Consolidation Initiative; Expansion of Training and Use of IT Cadres. HUD's OCIO will be facilitating the implementation of these requirements.

HUD is continually transforming the agency by changing the way HUD does business and increasing the effectiveness of the Department's programs. To support this effort, HUD's OCIO is transforming the way business is done within the OCIO organization. A key component enabling HUD's OCIO to achieve its transformational goals has been the enhancement of its IT service delivery model. Opportunities exist to optimize the current service delivery model through enhancements to the OCIO's structure, people, workforce environment and technology delivery. OCIO will continue the focus on improving the OCIO's alignment to customers and agile development in support of continual deployment of IT capabilities to HUD in support of HUD's mission. This further enables the OCIO to effectively deliver services to customers, improve customer satisfaction, and position OCIO as a strategic business partner to the Department's Program Offices among other key benefits. The OCIO will align its' salaries and expenses resources represented in this justification in support of this transformational effort.

The fiscal year 2018 President's Budget of \$43,879K is \$1,235K less than the fiscal year 2017 Annualized CR level. However, the fiscal year 2018 President's Budget includes \$2,018K for CIO's allocation towards the Working Capital Fund (WCF), whereas the fiscal year 2017 CR level does not. When the WCF is excluded from fiscal year 2018 President's Budget request, the remaining funds available to support salaries and expenses is \$41,861K, which is \$3,253K less than the fiscal year 2017 CR level. OCIO is submitting a fiscal year 2018 Budget that supports our specific goals to:

- Deliver world class commodity IT and services.
- Understand the business and mission of the programs and improve program skills and business knowledge of OCIO staff.
- Implement initiatives to improve operations, reduce cost, improve budget management, and expand services capabilities.
- Leverage technology strategically to innovate, add value, and improve on user experiences.

Personnel Services: OCIO request \$32,697K to support 200.8 FTE, a decrease of almost 8 FTE from fiscal year 2017 annualized CR level. OCIO intends to achieve this reduction in FTE through attrition.

Non-Personnel Services: OCIO requests \$9,164K to primarily support contracts, travel, training and supplies. OCIO also requests an allocation of \$2,018K for the Working Capital Fund to support its use of shared services and other investments as directed by the Secretary.

2. Full-time Equivalent

Full-time Equivalent			
Staffing	FY 2016 FTE	FY 2017 FTE Est)	FY 2018 FTE Est)
Office of the Chief Information Officer (Immediate Office)	7.2	6.2	6.2
Chief Information Security Officer Staff	9.3	9.3	9.3
Chief Technology Officer Staff	24.0	24.0	24.0
Office of Customer Relationship and Performance Management	55.9	51.1	51.2
Business and IT Resource Management Office	41.9	37.9	33.9
Infrastructure and Operations Office	85.8	80.0	76.3
Total	224.1	208.4	200.8

3. Key Operational Initiatives

Actions the OCIO has taken and is implementing for strategic operational improvements and cost efficiencies are:

- Establishing and documenting IT Governance structure and process (e.g. Customer Care Committee, Investment Review Sub-Committee) to ensure strategic and responsible use of OCIO resources.
- IT Infrastructure Modernization including the implementation of cloud computing (Data Center, FSSI Wireless, WAN, Office 365).
- Executing Cybersecurity Framework, Tools, and IV&V.
- Workforce Planning Strategy to federalize some capabilities to build agency aptitude and reduce costs (Centers of Excellence, ATO reviews, solutions architecture).
- Establishment of an Enterprise foundation for the agency including infrastructure modernization and enterprise software and architecture.
- Improving the process for approval, development, and implementation of Enterprise Services for mission applications.
- Improved centralization of decision making related to IT funding and projects.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES AND EXPENSES
OFFICE OF PUBLIC AND INDIAN HOUSING**

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$188,412	\$196,833	\$197,040
Non-Personnel Services			
Travel	3,672	3,365	2,671
Transportation of Things	-	30	25
Rents and Utilities	10	10	8
Printing	52	52	44
Other Services/Contracts	4,821	3,571	1,963
Training	1,347	1,118	1,179
Supplies	46	39	33
Furniture and Equipment	46	46	39
Claims and Indemnities	45	45	38
Non-Personnel Services Subtotal	\$10,039	\$8,276	\$6,000
Working Capital Fund (WCF)	-		\$13,593
Grand Total	\$198,451	\$205,109	\$216,633
Associated FTE	1,346.2	1,374.5	1,343.3

1. Program Purpose and Fiscal Year 2018 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 Administration's efforts to reform rental assistance programs, promote self-sufficiency and provide much needed flexibilities to State/Local Public Housing Authorities (PHAs).

PIH currently partners with more than 4,000 PHAs and 587 tribal housing entities to increase capacity, administer, operate, and modernize their housing inventories; effectively manage their physical assets and financial resources; and facilitate programs that

Program Office Salaries and Expenses-Office of Public and Indian Housing

provide supportive services to improve tenant outcomes and create strong, sustainable, inclusive communities and quality affordable homes for all.

PIH staff are allocated throughout 46 field offices, 6 Native American program area offices and the HUD Headquarters office. 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 Vouchers (HCV) program
- Native American programs

The fiscal year 2018 President's Budget of \$216,633K is \$11,524K more than the fiscal year 2017 Annualized CR level. This total includes \$13,593K for PIH's allocation towards the Working Capital Fund (WCF).

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.

Personnel Services: PIH requests \$197,040K to support 1343.3 FTE which is a decrease of 31.2 FTE from fiscal year 2017 annualized CR levels. PIH plans to achieve this reduction in FTE through normal attrition.

Non-Personnel Services: PIH requests \$6,000K to primarily support travel, training and contract expenses.

Working Capital Fund (WCF): PIH requests an allocation of \$13,593K to support its shared services costs and other investments via the WCF as directed by the Secretary.

Program Office Salaries and Expenses-Office of Public and Indian Housing

2. Full-time Equivalents

Full-time Equivalents			
Staffing	FY 2016 FTE	FY 2017 FTE (Est)	FY 2018 FTE (Est)
Front Office/Assistant Secretary	12.2	8.3	7.5
Office of Procurement and Contracting Services	10.0	10.4	10.2
Office of Planning, Resource Management and Administrative Services	19.7	17.4	16.6
Office of Budget and Financial Management	17.0	17.6	17.3
Office of Public Housing and Voucher Programs	139.8	141.8	139.7
Grants Management Center	12.2	12.6	12.4
Office of Public Housing Investments	76.3	78.0	74.9
Office of Native American Programs	150.2	154.6	151.4
Office of Policy, Program and Legislative Initiatives	14.5	17.0	16.8
Office of Field Operations	647.5	660.9	646.3
Real Estate Assessment Center	246.8	255.9	250.2
Total	1,346.2	1,374.5	1,343.3

3. Key Operational Initiatives

- **Staffing, Succession Planning, and Reorganizing:** PIH is in the process of implementing strategic workforce development and succession planning models. PIH is focusing our Personnel Services on getting back to providing the most vulnerable households with safe and decent housing.

Program Office Salaries and Expenses-Office of Public and Indian Housing

- **Operational and Legal Risks:**

- Continue PIH's Real Estate Assessment Center related travel for the oversight of the Multi-Family (MF) portfolios for inspecting the physical condition of properties.
- Space consolidation to maximize the work and efficiency of PIH offices.
- The Housing Opportunity through Modernization Act makes several changes to the U.S. Housing Act of 1937 that impact the Section 8 Housing Choice Voucher and Public Housing programs. To implement this Act, there will be requirements for software, system improvements and staff. PIH will need to align funding to support this effort.

- **Technology and Systems Integration:** Current IT systems are antiquated, inefficient and not well-integrated. PIH has developed a list prioritizing IT system needs to guide future IT investments to support increased efficiencies.

- Pursuant to our initiative on the Next Generation Management System, PIH will focus on supporting the replacement of the Inventory Management System Information Center with the PIH Information Center – Next Generation (PIC-NG) system. This system upgrade will create an enterprise ready government to business solution which will:
 - Improve the quality, availability, and delivery of information supporting HUD affordable housing programs
 - Reduce administrative burden for PHA and HUD staff
 - Provide HUD with an enterprise data collection solution to support affordable housing information such as:
 - Section 8 and Low Rent Public Housing Tenant Information;
 - New public housing developments;
 - Demolition and Disposition of Public Housing properties;
 - Inventory of Public Housing units and buildings;
 - Operating Fund;
 - Request for Tenancy Approval ;
 - UPCS-V Physical Condition; and
 - Financial Statements, FDS.
 - PIC-NG, through its improved collection of tenant data, is the foundation for the enterprise Voucher Management System (eVMS).
- Providing support to the Office of Native American Programs Loan Origination System (ONAP-LOS)
 - ONAP-LOS is a system being developed to support the Section 184 Indian Home Loan Guarantee Program.
 - The ONAP-LOS will deliver automated processes for case registration, reservation of funds, issuance of loan guarantee certificates, and lender registration and re-certification.
 - This system will capture and maintain data across the following major information categories: lenders, borrowers, properties, and loan.
 - The enhanced enterprise solution will provide participating lender partners with clarity and transparency around the ONAP enforcement efforts and it will expand access to credit for eligible borrowers.

Program Office Salaries and Expenses-Office of Public and Indian Housing

- Streamlining PIH Budget Formulation and Execution
 - PIH has adopted a strategic, objective-driven approach to budget formulation.
 - PIH is working with OCIO to develop an IT solution for automation of PIH's cash management processes, eVMS.
 - Budget Formulation & Forecasting- Housing Choice Voucher is in final stages of user-acceptance testing.
 - The Budget Office is 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 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$100,290	\$102,569	\$101,333
Non-Personnel Services			
Travel	950	858	800
Printing	3	15	5
Other services/Contracts	2,031	969	743
Training	192	170	100
Supplies	14	20	8
Non-Personnel Services Subtotal	\$3,190	\$2,032	\$1,656
Working Capital Fund (WCF)	-	-	\$4,565
Grand Total	\$103,480	\$104,601	\$107,554
Associated FTE	746.4	728.8	702.8

1. Program Purpose and Fiscal Year 2018 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.

Program Office Salaries and Expenses - Community Planning and Development

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 efficiently 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. Since fiscal year 2004, (pre-Katrina, Recovery Act, and Sandy), CPD’s annual grant portfolio has grown from 9,280 grants to 37,216 grants currently, an increase of 400 percent while staffing levels have decreased by 20 percent.

Approximately \$6 to \$7 billion has been appropriated each year – on top of a total portfolio of \$65.7 billion previously obligated and \$22.7 billion yet to be expended for multi-year projects, including disaster recovery grants and Recovery Act stimulus funds. The ongoing oversight responsibilities for these open grants – 37,216 grants and billions invested in projects, with compliance periods of up to 20 years - will by itself keep CPD field staff fully engaged for years to ensure grant compliance.

The fiscal year 2018 President’s Budget of \$107,554K is \$2,953K more than the fiscal year 2017 Annualized CR level. This total includes \$4,565K for CPD’s allocation towards the Working Capital Fund (WCF).

Personnel Services (PS): CPD is requesting \$101,333K to support 702.8 FTE. This represents a decrease of \$1,236K and 26.0 FTE from the fiscal year 2017 Annualized CR level. CPD intends to achieve this reduction of staffing through attrition.

CPD 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. Historically, CPD’s workload grant portfolio has increased steadily. CPD’s current portfolio of open grants is 37,216. CPD is requesting 702.8 FTE to 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 the National Disaster Resilience Grants;
- Manage supplemental grants and appropriations relating to disasters;
- 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 entire Department.

Program Office Salaries and Expenses - Community Planning and Development

Non-Personnel Services (NPS): CPD is requesting \$1,656K. The changes to the NPS accounts are described below.

- To preserve the maximum personnel services levels possible, CPD is reducing NPS in travel, printing, other services/contracts, training, and supplies.
- Other services decreased by \$226K, primarily due to reductions in CPD's largest contract, the Data Analysis contract.
- Training is decreased by \$70K. CPD will use in-house training resources and intragovernmental partnerships to provide professional training.
- Travel decreased by \$58K as CPD will leverage technology such as remote monitoring, when applicable.
- Supplies decreased by \$12K and printing by \$10K.

Working Capital Fund (WCF): The request includes \$4,565K to pay for working capital fund fees for shared services, and other investments determined by the Secretary.

Programmatic Goals:

- Reducing Homelessness: 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.
- Monitoring: CPD currently monitors only 7 percent of its grantees in its portfolio each year. CPD will leverage its fiscal year 2018 FTE resources for grant compliance by providing technical assistance and training and greater leverage on remote monitoring and technology.
- Audits: CPD has a significant backlog of open audit recommendations that CPD will dedicate staff to continue the progress achieved in fiscal year 2017 to further reduce this backlog.
- Disaster Recovery and Special Issues: CPD is dedicating staff to assist with the backlog and on-going workload relating to disaster recovery, particularly relating to closeout, audits, and disaster resilience.
- Environmental Review and Remediation: CPD is in the forefront of assessing the environmental risk of current and future HUD-funded projects and identifying solutions for remediation when risk are found.
- Rental Assistance Demonstration (RAD): CPD will provide resources to support HUD's responsibility to ensure that all applicable HUD programs are in compliance with laws and regulations. Staff supporting RAD will primarily be for conducting compliance review of documents and relocation plans, monitoring, training, and/or providing technical assistance for HUD staff and grantees, and responding to public inquiries and complaints from persons displaced in connection with HUD programs and projects.

Program Office Salaries and Expenses - Community Planning and Development

2. Full-time Equivalents

Full-time Equivalents			
Staffing	FY 2016 FTE	FY 2017 FTE (Est)	FY 2018 FTE (Est)
Assistant Secretary	8.0	7.0	7.0
DAS for Grant Programs	109.0	106.0	102.0
DAS for Special Needs	50.0	49.0	48.0
DAS for Economic Development	27.0	26.0	25.0
DAS for Operations	75.0	74.0	71.0
Office of Field Management (43 Field Offices)	477.4	466.8	449.8
Total	746.4	728.8	702.8

3. Key Operational Initiatives

In fiscal year 2018, CPD will continue to streamline processes and leverage technology to increase efficiency of operational funding in all our programs.

- Continuum of Care (CoC) Program Competition Re-Imagining Process: The goal of this continuous improvement process is to make the CoC Program competition less time-consuming, enabling HUD to distribute funds more quickly such that both HUD and communities can spend more time focusing on ending homelessness. Several changes have been identified that will make the fiscal year 2018 CoC Program Competition process simpler, shorter, clearer, uniform, and automated.
- Grants Management System Consolidation: The fiscal year 2018 request will focus on modernizing the CoC Homeless Assistance Grant programs. The CoC program has used the current Electronic Special Needs Assistance Programs System (e-snaps) for nearly ten years. E-snaps is aging and has limited capability for automating the online intake, review, award, and reporting for the 8,500 annual applications. The execution of grants management function will enable HUD to more effectively administer CPD’s Homeless Assistance Grants program and service communities nationwide.
- Place based Operation Model: CPD has a long history of supporting place-based work and partnering with the communities that we service. CPD has launched a new place-based operation model to enable HUD staff to work collaboratively with each

Program Office Salaries and Expenses - Community Planning and Development

other and interagency partnerships to support communities. It establishes three new field staffing functions: Community Capacity Liaison (CCL), Regional Community Resources Coordinators (RCRCs), and Data Support Analyst (DSA). It has several key elements such as: training HUD staff in place-based community-focused work; formalizing a collaborative field staffing framework in direct support of communities; establishing a network of subject - matter experts; and encouraging the use of integrated tools that deliver timely information.

These initiatives allow HUD staff to serve as the project lead for specific community engagements, provide leadership on innovation and problem solving around joint goals, and provide data analysis and expertise to assist community partnerships. Ultimately, CPD will provide a greater level of customer service and collaboration with the communities in support, while using HUD's existing staff and resources.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES AND EXPENSES
OFFICE OF HOUSING**

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$351,894	\$349,423	\$342,308
Non-Personnel Services			
Travel	5,094	5,154	5,672
Transportation of Things	94	-	-
Rent and Utilities	17	2	2
Printing	59	36	25
Other services/Contracts	4,035	17,584	3,208
Household Goods and Storage	52	-	-
Training	1,721	1,842	1,854
Supplies	141	146	140
Attorney's Fees	710	50	100
Non-Personnel Services Subtotal	\$11,923	\$24,814	\$11,001
Working Capital Fund (WCF)	-		\$12,520
Grand Total	\$363,817	\$374,237	\$365,829
Associated FTE	2,602.3	2,541.5	2,430.5

1. Program Purpose and Fiscal Year 2018 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 and Recapitalization 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 which allows seniors to convert the equity in their home to cash. Single Family Housing is managing a high volume of endorsements and monitoring operational risk on multiple dimensions (quality assurance, lender/servicer oversight, loss mitigation, and asset disposition). Risks are measured in billions of dollars. To mitigate these risks, Single Family Housing is focused on improving operational efficiency, enhancing loan level quality assurance, and improving Real Estate Owned (REO) recoveries through a variety of actions, including:

Program Office Salaries and Expenses – Office of Housing

- Maximizing Single Family FHA recovery rates by actively monitoring contractor scorecards and implementing alternative asset disposition options.
- Continuing loss mitigation efforts to prevent foreclosures.
- Updating and streamlining Single Family Housing policy and underwriting standards by finalizing the transition from multiple handbooks to a single policy handbook.
- Evaluating policy regarding servicing and issuing appropriate Mortgagee Letters on any revisions necessary to revise FHA guidance.
- Completing and implementing components of the new quality assurance framework to provide clarity and transparency in FHA's policies and encourage lending to qualified borrowers across the credit spectrum.

Office of Housing Counseling: HUD's Housing Counseling programs 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 immediate Office of the Assistant Secretary coordinates communication, policy implementation, and legislative tracking across the entire Office of Housing and with respect to all Housing programs. This office also engages in a variety of day-to-day business activities that support the Office of Housing, including procurement, oversight, and process management.

Program Office Salaries and Expenses – Office of Housing

The fiscal year 2018 President's Budget of \$365,829K is \$8,408K less than the fiscal year 2017 Annualized CR level. However, the fiscal year 2018 President's Budget includes \$12,520K for Office of Housing's allocation towards the Working Capital Fund (WCF), whereas the fiscal year 2017 CR level does not. When the WCF is excluded from fiscal year 2018 President's Budget request, the remaining funds available to support salaries and expenses is \$353,309K, which is \$20,928K less than the fiscal year 2017 CR level.

Personnel Services (PS): The Office of Housing is requesting \$342,308K to support 2,430.5 FTE. This request represents a decrease of \$19,979K and 111 FTE from fiscal year 2017 CR level.

Non-Personnel Services (NPS): The Office of Housing is requesting \$11,001K for Non-Personnel Service. This request primarily supports travel, contracts and training.

Working Capital Fund (WCF): The Office of Housing requests \$12,520K to support WCF fees for its use of shared services and other investments as directed by the Secretary.

Program Office Salaries and Expenses – Office of Housing

2. Full-time Equivalents

Full-time Equivalents

Staffing	FY 2016 FTE	FY 2017 FTE (Est)	FY 2018 FTE (Est)
Assistant Secretary	13.0	8.2	11.8
Finance and Budget	239.4	234.7	235.0
Healthcare	158.8	154.5	143.1
Housing Counseling	75.5	78.2	84.9
Multifamily	1,106.0	1,074.1	995.1
Operations	122.3	117.9	115.5
Risk	52.0	48.8	54.3
Single Family	835.3	825.1	790.8
Total	2,602.3	2,541.5	2,430.5

3. Key Operational Initiatives

The Office of Housing actively works to identify opportunities to streamline processes to enhance consistency, efficiency and effectiveness. The impact of the process improvement varies by process but in most cases, the savings equates to increased quality, reduced process time and increased consistency. Although there are no direct FTE savings, in the environment where we are being asked to do more with less, the process improvement frees capacity of resources to focus on other priorities and operate under a reduced FTE ceiling.

The Office of Housing is using Treasury’s Bureau of Fiscal Service – Administrative Resource Center (ARC), a shared services provider for processing procurement actions. HUD's internal procurement shop does not have the capacity to process the volume or complexity of Housing contract actions. To achieve the needs of our business and obtain contracting resources in a timely manner, we are looking at the availability of optional resources. In fiscal year 2017, Housing is conducting a pilot program under an existing Interagency Agreement, supported under the Office of Policy Development and Research, to determine a recommendation on whether or not this route should be pursued.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICES SALARIES AND EXPENSES
OFFICE OF POLICY DEVELOPMENT AND RESEARCH**

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$20,646	\$21,489	\$21,469
Non-Personnel Services			
Travel	429	240	285
Transportation of Things	17	-	-
Printing	88	150	130
Other services/Contracts	566	884	668
Training	259	227	229
Supplies	12	25	25
Attorney's Fees	45	41	41
Non-Personnel Services Subtotal	\$1,416	\$1,567	\$1,378
Working Capital Fund	-	-	\$1,218
Grand Total	\$22,062	\$23,056	\$24,065
Associated FTE	137.7	145.3	141.7

1. Program Purpose and Fiscal Year 2018 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.

Program Office Salaries and Expenses-Office of Policy Development and Research

In addition to the Office of the Assistant Secretary and supporting divisions of budget/procurement planning and administration, there are five program offices within PD&R. There is extensive cross collaboration between these five 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 conducts 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.
- The Office of University Partnerships (OUP) administers 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.
- The Office of International and Philanthropic Innovation (OIPI) engages the international and philanthropic sectors to harness best available evidence, innovations, and lessons in thoughtful development and revitalization to increase mutual learning opportunities and long-term community-building. OIPI's role as a portal for the international community and philanthropic sector makes the office a broker for new ideas and evidence-based practices. The purpose of this work is to inform domestic policies and programs.

Program Office Salaries and Expenses-Office of Policy Development and Research

The fiscal year 2018 President's Budget of \$24,065K is \$1,009K more than the fiscal year 2017 Annualized CR level. However, the fiscal year 2018 President's Budget includes \$1,218K for PDR's allocation towards the Working Capital Fund (WCF), whereas the fiscal year 2017 CR level does not. When the WCF is excluded from fiscal year 2018 President's Budget request, the remaining funds available to support salaries and expenses is \$22,847K, which is \$209K less than the fiscal year 2017 CR level.

Personnel Services: PDR requests \$21,469 to support 141.7 FTE a decrease of 3.6 FTE from fiscal year 2017 CR levels. This FTE reduction will be achieved through normal attrition.

Non-Personnel Services: PDR requests \$1,378K to primarily support contracts, training, travel, printing and supplies.

PDR requests \$1,218K to support Working Capital Fund fees for shared services and other investments as directed by the Secretary.

Requested resources will allow PD&R to continue its core operation of providing policy development, research and program evaluation to the Department. A majority of PD&R's work is considered as fixed operating costs due to the extensive work performed on behalf of HUD and other federal agencies.

The workload of PD&R focuses on ways to improve the efficiency, effectiveness, and equity of HUD programs. This entails developing policy recommendations for the Secretary, performing policy and economic analyses, conducting program evaluations, directing research and demonstration activities, gathering programmatic and basic housing and urban data, and evaluating and monitoring new and existing programs for the Department. In carrying out its responsibilities, PD&R conducts analyses using either contract or in-house staff resources, depending on the issue and the nature of the work. The in-house research capability and expertise supported by S&E enables PD&R to leverage data assets and federal relationships, using the complementary aspects of in-house and contracted research in the optimal balance to use evidence most effectively to inform programs and policies.

Program Office Salaries and Expenses-Office of Policy Development and Research

2. Full-time Equivalents

Full-time Equivalents

Staffing	FY 2016 FTE	FY 2017 FTE (Est)	FY 2018 FTE (Est)
Assistant Secretary for Policy, Development & Research	4	4	4
Budget, Contracts and Program Control Division (BCPCD)	8	8	8
Management & Administrative Services Division (MASD)	6	6	6
University Partnerships and Grants Division (OUP)	5	6	5
Office of the Deputy Assistant Secretary for International and Philanthropic Affairs (ODAS/IPI)	7	7	7
Office of the Deputy Assistant Secretary for Economic Affairs (ODAS/EA)	2	2	2
ODAS/EA, Economic Market Analysis Division (EMAD)	10	10	10
ODAS/EA, Housing Finance Analysis Division (HFAD)	6	6	6
ODAS/EA, Housing & Demographic Analysis Division (HDAD)	4	4	4
ODAS/EA, Economic Development & Public Finance Division (EDPFD)	4	4	4
ODAS/EA, Field Economist (REE)	33	33	33
Office of the Deputy Assistant Secretary for Policy Development (ODAS/PD)	6	5	5
ODAS/PD, Policy Development Division (PDD)	6	8	8
ODAS/PD, Research Utilization Division (RUD)	8	9	8
Office of the Deputy Assistant Secretary for Research, Evaluation & Monitoring (ODAS/REM)	3	3	2
ODAS/REM, Program Evaluation Division (PED)	11	13	13
ODAS/REM, Program Monitoring & Research Division (PMRD)	8	10.3	10
ODAS/REM, Affordable Housing Research & Technology Division (AHRTD)	6.7	7	6.7
Total	137.7	145.3	141.7

3. 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:
 - designing and developing the Community Assessment Reporting Tool (CART) – a public facing web-based and mobile tool that provides mapping and tabular data of HUD's investments in communities across the United States.
 - designing 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:
 - Developed a very comprehensive web-based work-tracking system to manage the Comprehensive Housing Market Analysis Reports (COMP) for Metropolitan Statistical Areas and counties process, reducing report publication time by 50 percent.
 - Centralized and standardized all routine data updating processes, and delegated the more routine data updating tasks to field organization, thereby freeing up valuable resources for more advanced development efforts.
 - 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.
 - Leveraged 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.
 - Developed automated reporting of SAS/BI user activity, streamlining administration of Online Integrated Information System (OPIIS) access for Housing.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES AND EXPENSES
OFFICE OF FAIR HOUSING AND EQUAL OPPORTUNITY**

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$64,180	\$65,910	\$66,089
Non-Personnel Services			
Travel	1,262	1,045	925
Rent and Utilities	3	2	2
Printing	7	6	5
Other services/Contracts	2,340	4,532	500
Training	912	345	345
Supplies	17	23	23
Grants and Subsidies	1,500		
Non-Personnel Services Subtotal	\$6,041	\$5,953	\$1,800
Working Capital Fund (WCF)			\$1,919
Grand Total	\$70,221	\$71,863	\$69,808
Associated FTE	484.0	495.3	484.8

1. Program Purpose and Fiscal Year 2018 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

Program Office Salaries Expenses-Office of Fair Housing and Equal Opportunity

administers and oversees the Fair Housing Initiatives Program (FHIP) funding more than 150 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.

Section 3 of the Housing and Urban Development Act of 1968 is a provision that helps foster local economic development, neighborhood economic improvement, and individual self-sufficiency. Section 3 requires that recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training and employment, and contracting opportunities for low- or very-low income residents and to businesses that substantially employ those persons in connection to projects and activities in their neighborhoods. From this integral foundation coupled with other resources, Section 3 is thus a starting point to obtain job training, employment and contracting opportunities which lead to economic advancement and self-sufficiency. FHEO enforces Section 3 across all applicable HUD-funded programs, and provides oversight and technical assistance to local housing authorities and community development agencies to ensure that HUD investments result in these important economic opportunities for low- income individuals, public housing residents, and the businesses that employ them.

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 their 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 drop out of the inventory 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 2018 President's Budget of \$69,808K is \$2,055K less than the fiscal year 2017 Annualized CR level. This total includes \$1,919K for FHEO's allocation towards the Working Capital Fund (WCF).

Program Office Salaries Expenses-Office of Fair Housing and Equal Opportunity

Personnel Services (PS): FHEO requests \$66,089K and 484.8 Full-Time Equivalent (FTE) in fiscal year 2018, a decrease of 10.5 FTE from fiscal year 2017. FHEO will achieve this reduction in FTE through attrition.

Non-Personnel Services (NPS): FHEO requests \$1,800K in fiscal year 2018 to primarily support travel, training and contracts.

Working Capital Fund (WCF): FHEO requests \$1,919K to pay fees for use of shared services and other investments as determined by the Secretary.

FHEO Priorities:

Priority 1 - 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 2018, 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. However, significantly more progress must be supported, as nearly half of FHEO's open case inventory is aged.
- During fiscal year 2017, FHEO has made enormous progress towards addressing the backlog of cases that have been with the Department for 600 or more days. In the first half of fiscal year 2017 alone, the Department has reduced this backlog by 30 percent. This progress has been the result of a series of recent innovations: nationalizing our productivity standards for frontline staff, leveraging existing technology, and cross-regional collaboration.
- Additionally, significant innovations are currently underway to increase efficiency and quality outcomes for victims of discrimination. A housing market free of discrimination is a truly free market.
- 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 charged or successfully conciliated 33 percent of its cases in fiscal year 2015, obtaining relief valued at over \$200 million. The fiscal year 2018 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. FHEO plans to allocate 193.9 FTE to support this effort.

Priority 2 – 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:

Program Office Salaries Expenses-Office of Fair Housing and Equal Opportunity

- 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 9.8 FTE to support Section 3.

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 public housing authorities 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 public housing authorities 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 succeed in completing Assessments of Fair Housing (AFH). Development and delivery of guidance and training materials began in fiscal year 2015 and is ongoing. TA will need to be provided to all anticipated fiscal year 2019 AFH submitters in fiscal year 2018.
 - In fiscal year (FY) 2018, HUD anticipates receiving over 100 AFH submissions from program participants followed by over 3,000 AFHs in fiscal year 2019 and nearly 2,000 in fiscal year 2020. FHEO will review these AFH submissions for compliance with standards established in regulations.

Program Office Salaries Expenses-Office of Fair Housing and Equal Opportunity

- Through Consolidated Plans, Annual Action Plans, and PHA Plans, program participants will submit strategies and actions for achieving goals identified in AFH submissions. FHEO will review these plans to evaluate progress on fair housing goals and compliance with standards established in regulations.
- Propose modifications to streamline or standardize the AFH review processes.

- FHEO plans to allocate 172.5 FTE to advancing fair housing and HUD programs

Program Office Salaries Expenses-Office of Fair Housing and Equal Opportunity

2. Full-time Equivalents

Full-time Equivalents

Staffing	FY 2016 FTE (Actual)	FY 2017 FTE (Est)	FY 2018 FTE (Est)
Office of the GDAS	4	4	4
Office of the Field Oversight	3	3	3
Office of the DAS For Office and Policy Legislative Initiatives and Outreach	12	12	11
FHEO, OPLIO, Education and Outreach	6	6	4
FHEO, ODAS/PP, Office of Progr	2	2	2
Office of the DAS for Enforcement and Programs	4	4	4
Office of Systemic Investigations	6	6	6
FHAP Division Director	5	5	5
Civil Rights Compliance & Disability Right Division	4	4	5
Enforcement Division	6	6	6
Office of Programs	2	2	3
Economic Opportunity Division	7	7	5
FHIP Division	6	6	5
FHEO, ODAS/Ep, Op, Prog Standa	3	3	3
FHEO, ODAS/Ep, Office of Syste	5	5	5
Office of the DAS For Operations and Management	5	5	5
Office of Administrative Services	4	4	4
FHEO, Odasom, OAS, Resource	3	3	3
Office of Information Services and Communications	4	4	3
FHEO, ODAS/Om, Oisc, Correspo	3	3	3
FHEO, ODAS/Om, Oisst, Informat	2	2	2
FHEO, Odasom, Ioisst, Tech Sup	1	1	1
Office of Management	5	5	4
Budget Division	4	4	4
Total FHEO Headquarters	105.9	105.9	100.9
FHEO Field	378.1	389.4	383.9
Grand Total Field and Headquarters	484.0	495.3	484.8

3. 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 Registration (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.
 - 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 are requested to 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 systems 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.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES AND EXPENSES
OFFICE OF LEAD HAZARD CONTROL AND HEALTHY HOMES (OLHCHH)**

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$6,559	\$6,760	\$6,784
Non-Personnel Services			
Travel	153	193	151
Printing	10	11	11
Training	41	65	41
Supplies	8	8	8
Non-Personnel Services Subtotal	\$212	\$277	\$211
Working Capital Fund (WCF)	-	-	\$605
Grand Total	\$6,771	\$7,037	\$7,600
Associated FTE	44.6	44.3	43.4

1. Program Purpose and Fiscal Year 2018 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 the Department 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 2018 President’s Budget of \$7,600K is \$563K more than the fiscal year Annualized 2017 CR level. This total includes \$605K for OLHCHH’s allocation towards the Working Capital Fund (WCF). This funding level supports the Department’s request for \$130 million for the Lead Hazard Control and Healthy Homes Grant Programs in fiscal year 2017—a programmatic increase of \$20 million over fiscal year 2017 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 \$6,784K to support 43.4 FTE a decrease of almost 1 FTE from fiscal year 2017. The decrease in FTE levels to 43.4 will adequately provide technical assistance and program oversight to the expected increase in grants to communities for the control of lead-based paint hazards and other health and safety hazards in housing.

Non-Personnel Services (NPS): The OLHCHH is requesting \$211K. In fiscal year 2018, \$605K will support OLHCHH’s (WCF) shared services expenses and other investments as determined by the Secretary. The fiscal year 2018 non WCF expenses reflect a 24 percent reduction from fiscal year 2017 NPS funding levels.

The OLHCHH specific policy goals in the 2018 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 identified in the FTE chart below. 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 identified in the FTE chart below. Approximately 10 percent% of the NPS travel budget is for the Program and Regulatory Support Divisions 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 identified in the FTE chart below. Approximately 10 percent of the NPS travel budget is for the Program and Regulatory Support Divisions on-site monitoring visits.
- Priority 4: National Lead Safe Housing Campaign. This function is used to 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 identified in the following FTE chart.

Program Office Salaries Expenses – Lead Hazard Control and Healthy Homes

2. Full-time Equivalents

Full-time Equivalents

Staffing	FY 2016 FTE	FY 2017 FTE (Est)	FY 2018 FTE (Est)
Office of Lead Hazard Control and Healthy Homes	5.6	5.3	4.4
OLHCHH, Lead and Healthy Homes Programs Division	11.0	12.0	12.0
OLHCHH, Program and Regulatory Support Division	11.0	10.0	10.0
OLHCHH, Policy and Standards Division	5.0	5.0	5.0
OLHCHH, Grants Services Division	7.0	7.0	7.0
OLHCHH, Business Operations Division	5.0	5.0	5.0
Total	44.6	44.3	43.4

3. Key Operational Initiatives

- Grants Management Cloud Computing System:
 - 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
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

INFORMATION TECHNOLOGY FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$250,000	\$100,491 ^a	...	\$350,491	\$262,792	\$229,394
2017 Annualized CR	249,525	88,841	...	338,366	295,307	248,870
2018 Request	<u>250,000</u>	<u>45,059</u>	<u>...</u>	<u>295,059</u>	<u>295,000</u>	<u>280,146</u>
Change from 2017	+475	-43,782	...	-43,307	-307	+31,276

a/ Carryover includes \$49 million brought forward from fiscal years 2015 and 2016 to be obligated on the "HEAT" Systems Integration contract in fiscal year 2018.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The Information Technology (IT) Fund provides funding 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 fiscal year 2018 request is \$250,000,000. The request, along with funds that will be carried over from fiscal year 2017, will support Operations and Maintenance (O&M) activities (sustaining current systems and applications), and continuation of Development, Modernization, and Enhancement (DME) initiatives. These DME projects will further efforts to transform HUD's IT infrastructure by consolidating systems, providing enterprise capabilities, and improving the effectiveness and efficiency of programs and operations.

2. Request

As HUD pursues strategic realignment to maximize the impact of operational resources to deliver on its mission, 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 operations and maintenance of the current IT infrastructure (such as servers, desktops and other equipment, networks and communications, support services, enterprise software licenses, and security) as well as IT systems and applications that support HUD's core business and administrative functions. In accordance with FITARA, the Chief Information Officer (CIO) is improving the way HUD manages its IT spending by: working with offices to define program needs, re-platforming legacy systems, and scrubbing IT contracts and systems. As HUD identifies savings, it is reinvesting those savings in modernization,

Information Technology Fund

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.

Of the \$250 million request, \$10 million will support development and modernization initiatives that leverage enterprise technology to support HUD's mission. The integration and consolidation of IT systems will enable the delivery of new capabilities faster by migrating financial and programmatic management functions to common platforms using modern cloud-based technologies. HUD will capitalize on opportunities to digitize manual processes and end user experiences with improved functionality. These enterprise solutions will address complexities across the agency by requiring data consolidation, simplified interfaces, and standardized business functionality.

3. Justification

For several years, the IT Fund has supported the continuity of operations and maintenance of existing technologies with limited resources allocated for significant development initiatives. During this time, the CIO has led reviews of O&M contract requirements that reduced contract scope and service levels, and consolidated or eliminated contracts. The Department continues to assess and streamline O&M needs to prioritize investments needed to update HUD's IT infrastructure by modernizing, and consolidating the existing operating platforms of HUD's outdated, legacy systems. This will reduce the security vulnerabilities of HUD's IT systems and will reduce long term IT costs by increasing the systems' sustainability and operability.

Operations and Maintenance (O&M) Activities

HUD plans to spend \$240 million for its recurring O&M activities. Approximately two-thirds of the 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. HUD plans to spend \$10 million on cybersecurity and modernization investments that will support public housing authorities and managing risk in FHA's mortgage liability portfolio. HUD will continue to use a "cloud first" approach to migrate from its outdated and unsupported systems and applications and provide more technical and security support thereby reducing cybersecurity vulnerabilities. HUD is using the cloud technology to make its applications more mobile and agile to increase performance. HUD's e-mail, Customer Relationship Management systems, and internet sites have been migrated to HUD's cloud, and new applications are slated for cloud design.

Cybersecurity efforts include continuing the development of an overall cybersecurity framework and implementation of the Department of Homeland Security's Continuous Diagnostics and Mitigation (CDM) Program. This program is intended to create a common baseline of cybersecurity capability and protection across the Federal Government. The program will provide HUD with CDM-certified capabilities and tools that identify and prioritize cybersecurity risks on an ongoing basis and enable cybersecurity personnel to mitigate the most significant problems first. The CDM tools provide near real-time awareness of HUD's networks and environments.

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HUD has also initiated major infrastructure improvement initiatives to develop enterprise wide solutions that address legacy and aging IT systems and technology. HUD has been transitioning its IT infrastructure since fiscal year 2014, to a more agile, modern, mobile-friendly environment that utilizes a federal shared service provider. This transformation effort is known as the HUD Enterprise and Architecture Transformation (HEAT) initiative and is scheduled to be completed in fiscal year 2018. HEAT has successfully completed HUD's transition to enterprise software agreements and FedRamp cloud solutions, implementation of GSA strategic sourcing contracts that include Networx and FSSI for Mobile Services, migration of HUD Data Centers into two multitenant shared data centers, and migration of enterprise applications to the cloud. These efforts have resulted in a cost-effective IT environment that is delivering enhanced security, augmented internal monitoring and management capabilities, and optimized IT Infrastructure services.

In fiscal year 2018, the transformation of HUD's IT infrastructure will continue without a significant increase in requested O&M appropriated funding. OCIO is conducting the final phases of the HEAT initiative which include using \$49 million of carryover funding to transition from the current end user support contract to a new enterprise System Integration and End User contract. Another HEAT project is to conduct a thorough analysis of all HUD's IT systems and applications, including a cloud compatibility assessment. Its goal is to provide valuable and actionable insights to reduce operating costs, optimize existing IT assets, modernize applications, and provide better IT service capabilities.

Development, Modernization and Enhancement (DME)

HUD has a strategic priority to retire obsolete and inefficient IT systems and is actively pursuing modernization initiatives to reduce the cost and complexity of its systems portfolio, based on the following development principles: internal shared services, standard data architecture and management, and a standard Business Services Hub. HUD's enterprise-level vision approaches the development of solutions from a business perspective, ensuring improved and streamlined business models that drive HUD's mission. Whether it is case management, workflow, business intelligence, or data management, the goal is to "build systems once and use them many times."

In fiscal year 2017, HUD continues to invest in new development, and build upon investments started with DME funding received in fiscal year 2014. For fiscal year 2018, HUD plans to spend approximately \$15 million of its carryover funds on DME initiatives using agile development to consolidate systems, provide enterprise capabilities, and reduce customer burden. The funding will go toward technology solutions that will be paired with business process improvements and enterprise design and architecture that will help maximize the efficiency and effectiveness of the development projects.

HUD has employed agile IT development techniques so that new capabilities and digital services are delivered quickly to the programs. We continue to build and deliver smaller discrete capabilities, based on the design and requirements. To maximize funds, we will identify the business requirements and processes to be addressed. We will then match these to the best technologies, and plan a detailed course of action prior to additional development work on potentially major initiatives.

Information Technology Fund

The major fiscal year 2018 DME initiatives included in this budget are:

- The enterprise Subsidy Management Program (eSM) requires \$8 million to improve the cash management of more than \$20 billion in housing choice vouchers and \$4 billion in program operating funds by modernizing the capabilities in the Voucher Management System (VMS) into an Enterprise Voucher Management System (eVMS) to improve business processes in the Public Housing Authorities (PHAs). This will significantly reduce excess reserves held by the PHAs, address cash management audit findings, and ensures compliance with Treasury cash disbursement policies.
- The Federal Housing Administration (FHA) requires \$5 million to ensure compliance with security requirements across its systems, and begin to deliver a modernized, secure, and scalable solution to meet industry standards for Counterparty Management, Portfolio Analysis, Borrower/Collateral Risk Management/Fraud Monitoring, and Infrastructure/Application Modernization. The current systems constrain FHA's ability to adapt its operations to changes in the housing industry, meet industry standard analysis and reporting for property costs and recovery rates, and increases risk to the Mutual Mortgage Insurance (MMI) Fund.
- A Unified Customer Relationship Management system (CRM) requires \$2 million for HUD to continue to upgrade and replace multiple legacy CRM solutions. This will improve customer service and satisfaction, ensuring that customers quickly connect to the appropriate HUD resource that can help them.

Information Technology Fund

**INFORMATION TECHNOLOGY FUND
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Operations and Maintenance	\$250,000	\$66,587	\$316,587	\$228,888	\$249,525	\$71,841	\$321,366	\$250,000
Development, Modernization, and Enhancement .....	...	<u>33,904</u>	<u>33,904</u>	<u>33,904</u>	...	<u>17,000</u>	<u>17,000</u>	...
Total	250,000	100,491	350,491	262,792	249,525	88,841	338,366	250,000

NOTE: The carryover includes \$1.9 million of actual recaptures in fiscal year 2016, and \$2 million anticipated in fiscal years 2017 and 2018.

Information Technology Fund

**INFORMATION TECHNOLOGY FUND
Appropriations Language**

The fiscal year 2018 President’s Budget includes proposed changes in the appropriation language listed below.

INFORMATION TECHNOLOGY FUND

For the development 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, \$250,000,000, shall remain available until September 30, 2019: 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 2017 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, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WORKING CAPITAL FUND
2018 Summary Statement and Initiatives**

(Dollars in Thousands)

	FY 2016 Actual¹	FY 2017 Annualized CR	FY 2018 Anticipated
Financial Management, Procurement, Travel and Relocation	27,206	24,190	24,190
Human Resources	16,476	16,587	16,587
National Finance Center Payroll Processing	...	1,242	1,242
Management Data Initiative	...	...	6,550
Grand Total	\$43,682	\$42,019	\$48,569

1. Program Purpose and Fiscal Year 2018 Budget Overview

- The Working Capital Fund (WCF) serves as a mechanism for the Department of Housing and Urban Development (HUD) to finance enterprise goods and services.
- The WCF assists HUD program offices in achieving their missions by providing efficient, cost-effective, customer-focused enterprise support services on a fully cost recoverable, fee-for-service basis.
- Initial WCF operations began in fiscal year 2016, with full implementation occurring upon enactment of appropriations in fiscal year 2018.
- The fiscal year 2018 President’s Budget of \$48,569,366 is \$6,550,000 more than the fiscal year 2017 Annualized CR level. These funds are requested across HUD’s 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 2018 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. HUD estimates \$48,569,366 in total WCF costs and revenue for 2018, which is \$6,550,000 above the estimated costs for fiscal year 2017. The requested level is expected to support:

¹ Additionally, an unobligated balance of \$9,633,565 was brought forward on October 1st, 2016.

Working Capital Fund

- Financial management, procurement, and travel services provided by the Administrative Resource Center (ARC) at a cost of \$24,190,000.
- Human resources processing services provided by ARC at a cost of \$12,796,000.
- Human resources platforms provided by the Department of the Treasury's Shared Services Programs at a cost of \$3,791,000.
- NFC payroll processing at a cost of \$1,242,000.
- Management Data Initiative at a cost of \$6,550,000.

HUD estimates that funding provided at the fiscal year 2017 Annualized CR level for current activities will be held flat through fiscal year 2018, as no change in service costs for financial management or human resources WCF operations are forecasted. Additional reimbursements to the WCF are proposed to assist the Department in standing up a management data governance and analysis initiative, which will support oversight efforts for HUD data consolidation and provide vital data analysis support to HUD offices.

3. Justification

Background

Beginning in fiscal year 2016 with the enactment of the Consolidated Appropriations Act, 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 fiscal years 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, and customer billing practices during this period.

In fiscal year 2017, the WCF began directly paying the costs of HUD's shared services agreements, and performing cost recovery procedures by billing the Office of the Chief Financial Officer (OCFO) and the Office of the Chief Human Capital Officer (OCHCO) for the cost of the agreements aligned to the functions of each office. 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.

The Federal shared services currently financed through the WCF include shared services agreements with the Department of the Treasury 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, and financial reporting. Travel and relocation services provided to HUD include E-Gov Travel Service (Concur), travel help desk, travel card administration, travel payments, and relocation processing and payments. The Department

Working Capital Fund

also receives human resources services from the Department of the Treasury and from the National Finance Center (NFC), with the Office of the Chief Human Capital Officer (OCHCO) acting as the servicing business lead. OCHCO-managed shared services include: job classification, staff acquisition, payroll and payroll processing (including WebTA and NFC charges), personnel records and processing, employee benefits, workers' compensation, personnel background checks, back-office HR functions through HR Connect, talent acquisition through CareerConnector, and performance management through InCompass.

WCF Implementation Progress and Outcomes

When fully implemented, the WCF will enable the Department to achieve the following outcomes:

- **Provide efficient and effective delivery of enterprise goods and services**
 - Across the Federal Government, Working Capital Funds are considered a best practice as a mechanism for financing and operating enterprise goods and services. The WCF model allows HUD to achieve efficient acquisition and implementation of services that are common across HUD offices through a joint funding model that is scalable according to office needs. This results in a lean, accountable, more efficient HUD that works for the American people.
- **Incorporate incentives for program offices to utilize WCF services efficiently by aligning costs to usage**
 - In fiscal year 2017, the WCF began providing service usage reporting across WCF service lines to all HUD customers on a quarterly basis. The reports are used by HUD offices to review the services attributable to their offices, to identify management policies or operational practices that could be modified to increase efficiencies, and to forecast funding requirements for administrative services throughout the fiscal year.
 - As program offices begin to bear the cost of transactions, offices will be better equipped to manage business operations to maximize limited resources by continually evaluating and refining core business processes.
- **Reduce overlap and duplication of efforts by providing a joint platform for common administrative needs across offices**
 - At the discretion of the Secretary, HUD anticipates expanding the WCF to incorporate other common administrative goods and services, including additional investments that are consistent with the goals of the WCF. For any proposed investment, HUD will evaluate the benefits and efficiencies of financing through the WCF, and whether there is an accurate, practical, and transparent method for assessing costs for the good or service to the program office. Investments will only be added to the extent that they are reasonably anticipated to result in improved efficiencies.

Working Capital Fund

- **Demonstrate transparency into the operation and management of common HUD services, and into the overall costs to administer programs**
 - HUD has established a strong set of oversight and reporting mechanisms to promote transparency and accountability in WCF operations. The WCF is overseen by a Working Capital Fund Committee (WCFC), which is composed of HUD General Deputy Assistant Secretaries and chaired by the Deputy Chief Financial Officer. The WCFC is responsible for reviewing and approving the annual billing model, analyzing and approving additional business lines into the WCF, and acting as a forum for sharing information and best practices on WCF service utilization. By providing information and insight into annual WCF costs, services, and bills, customers are given a voice in the operations of the Fund so that the services the customers are charged for accurately represent the administrative costs needed to administer their programs.
 - This transparency and accountability strengthens HUD by removing barriers that hinder all employees from delivering results.

Requested Additions to the WCF in Fiscal Year 2018

As part of the fiscal year 2018 request, HUD is proposing to include additional funding, totaling \$6.55M, reimbursed by each WCF customer for a management data initiative to drive effective management reporting critical to provide timely, accurate information necessary to support strong planning and execution of operational resources. HUD requires a management data governance and analysis function to ensure best practices for the management and analysis of HUD operational data. HUD retains operation data from nine administrative offices: These offices include the CIO, CFO, and OCHCO, and would initially make data from the CXO offices centrally available in a unified data-store to assist offices in creating centralized reporting tools for use in program analysis. This initiative would 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 proposed WCF funding will support the systems contracts that support the technology platform and provide data services across HUD offices.

Working Capital Fund

**APPROPRIATIONS LANGUAGE
WORKING CAPITAL FUND
(INCLUDING TRANSFER OF FUNDS)**

The fiscal year 2018 President's Budget includes 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, 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 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 centralized pursuant to the language before 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 use for any office or agency for any such centralized purpose: 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, centralized pursuant to the language before 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 may be made available pursuant to the authority of the Fund 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 for the specific purposes of the previous proviso, the Secretary shall transfer any amounts for related information technology investments to the heading "Information Technology Fund".

Note.—A full-year 2017 appropriation 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, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL (OIG)**

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$97,395	\$97,400	\$97,647
Non-Personnel Services			
Travel	4,100	3,801	3,879
Transportation of things	49	20	20
Rent/utilities	7,392	7,406	7,235
Printing	6	7	4
Other services/contracts	15,108	15,804	15,985
Training	760	634	645
Supplies	363	250	175
Furniture/equipment	617	425	400
Claims & indemnities	15	14	10
Non-Personnel Services Subtotal	\$28,410	\$28,361	\$28,353
Grand Total	\$125,805	\$125,761	\$126,000
Associated FTE	610.0	593.0	573.0

1. Program Purpose and Fiscal Year 2018 Budget Overview

The mission of the Office of Inspector General (OIG) 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 and deficiencies 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. In fiscal year 2016, the OIG produced a monetary impact of \$68 for every one dollar of appropriated funding

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received. Due to the nature of HUD’s mission, the potential mismanagement of financial assets within the two financial institutions embedded with it and the incurring of risk could carry a hazard to the American economy.

Monetary Impact Category	FY 2016 Actuals
Recoveries and Receivables to HUD programs	1,049,690,614
Restitutions and Judgments	266,246,221
Ineligible and Questioned Costs	514,122,502
Recommendations That Funds Be Put To Better Use	6,777,806,841
Collections From Audits	17,314,737
Total Monetary Impact	\$8,625,180,915
Enacted Appropriation	\$126,000,000
Total OIG Monetary Impact / Appropriated Dollar	\$68.45

The fiscal year 2018 President’s Budget of \$126,000K is \$239K more than the fiscal year 2017 Annualized CR level (due to 0.19 percent rescission required by P.L. 114-254). This request will provide the minimal resources to keep personnel engaged in conducting investigations, audits, and evaluations that are essential to the OIG’s mission and the health of HUD programs. Using the requested resources, the OIG strives to preserve the monetary impact of the organization by maintaining efforts, for example, in financial audits, information system evaluations, disaster recovery funding abuse, and single family housing related mortgage fraud. In addition, the fiscal year 2018 Budget request will allow the OIG to continue addressing Congressional mandates such as Digital Accountability and Transparency Act (DATA) compliance and Federal Information Security Modernization Act (FISMA) monitoring. The OIG is Congressionally mandated to perform 12 audits every year related to an array of legislation which then impacts the OIG’s discretionary audit planning.

Organizational Priorities

- Financial audits consisting of the HUD Consolidated Financial Statement including the audit of Federal Housing Administration (FHA) (\$1.7 trillion mortgage insurance portfolio) and Government National Mortgage Association (GNMA) (\$1.8 trillion in mortgage backed securities remaining principal balance). These audits determine whether financial statements fairly present findings, internal controls are adequate, and regulations are followed. Because of the critical impact these agencies have on the financial stability of the economy the OIG began performing FHA’s and Ginnie Mae’s financial audits in-house in fiscal year 2014

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to ensure the highest level of accuracy and due diligence. For the last 3 years, the Department has received disclaimers of opinions on its financial statement audits. In fiscal year 2016 FHA and Ginnie Mae, each received disclaimers of opinion, as did the consolidated financial statement.

- Information system audits determine the adequacy of general and application controls, and whether security applied to information resources is adequate and in compliance with system development requirements. This is part of the OIG's ongoing response to the Federal Information Systems Controls Audit Manual (FISCAM) and financial audit responsibilities. The oversight that the OIG conducts to confirm that HUD Information Technology (IT) systems are protected from malicious threats is one of the OIG's critical responsibilities especially given that 87 percent of HUD's IT systems are at or near the end of their life cycle. This includes 400 IT products that no longer have technical support. Ensuring taxpayer and HUD client information is stored with the guarantee that it will be safe and private, is something system audits and evaluations seeks to scrutinize and work to correct when vulnerabilities are found. In addition, the Office of Audit (OA) has been involved with scrutinizing new information system deployment within HUD. This has become an especially large undertaking during the transition from HUD's previous financial accounting system to the newly implemented New Core shared services system with the Department of Treasury. HUD initiated the New Core project in the fall of 2012 and later ended the project in April 2016. This endeavor failed to significantly improve the handling of HUD's financial management transactions or produce reliable, useful, and timely financial information. As a result, the project was terminated and 97 percent of HUD programmatic transactions are still being executed using HUD's aging legacy systems. As HUD moves forward with New Core or other legacy system transitions, the OIG will continue to monitor and report on the status of these efforts.
- The FHA is the Federal Government's largest homeownership program, with the obligation of insuring more than 8 million single family mortgages. This risk exposure to HUD and the Government, as a whole, creates the need for the OIG to concentrate investigative activities on the single family housing market. This manifests itself most vividly in the work the OIG is doing to investigate and help prosecute loan origination fraud, as well as equity skimming from projects that administer housing assistance with FHA-insured loans. The Office of Investigation (OI) and the Joint Civil Fraud Division is proactive in these matters, and continues to provide education and outreach to stakeholders related to FHA's mortgage portfolio. Investigations also focus on distressed homeowner fraud, including loss mitigation, short sale, and real estate owned fraud, in particular, when the conspirators target distressed homeowners conveying false HUD affiliation to gain the confidence of their victims. OI also addresses opportunities to defraud the GNMA and fraud schemes related to mortgage-backed securities.
- In addition to the work done by the OA described above, the Office of Evaluation (OE) identifies and helps to remedy information system vulnerabilities that leave HUD vulnerable to computer hacking and have the potential to degrade the effectiveness of HUD operations. HUD programs generate hundreds of millions of records containing personally identifiable information (PII) and financial data on U.S. citizens. The OIG conducts the mandated FISMA and Cybersecurity Act of 2015 evaluations to assess HUD's compliance with Federal IT security guidance. OE also conducts penetration tests to validate

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technical controls, identify weaknesses, and make recommendations to resolve security liabilities on the HUD network and public facing websites. Beginning in fiscal year 2018, evaluators will begin to use advanced analytics and increased statistical analysis to review millions of records of PII and network data to generate new and more actionable evaluation results. These additional activities will provide near-real time and future trend data to make relevant recommendations to protect the HUD IT network, and ultimately allow HUD to manage their risks more effectively. For the foreseeable future, the OIG will continue to conduct evaluations related to the DATA act and privacy evaluations due to the abundance of sensitive PII records processed and stored in the HUD IT environment as well as IT security of FHA and Ginnie Mae, whose combined portfolios exceed 3 trillion dollars.

2. Full-time Equivalents

Full-time Equivalents

Staffing	FY 2016 FTE	FY 2017 FTE (Est)	FY 2018 FTE (Est)
Office of Inspector General	610	593	573
Total	610.0	593.0	573.0

With limited financial resources, the OIG continues to be overly cautious with which positions if any are backfilled for the organization. While the OIG still maintains staffing necessary to carry out its core mission, taking on an increasing workload and new congressional mandates can become increasingly difficult. Through attrition, the OIG will decrease total staffing by approximately 20 FTEs when compared to fiscal year 2017 full year FTE usage.

3. Key Operational Initiatives

- The OIG through the Office of Management and Technology (OMT) is working to ensure the OIG Wide Area Network (WAN) is robust enough to handle the data traffic essential to meet organization requirements including efforts at data and predictive analytics of departmental programs generated by OIG's Information and Data Analytics Division. To support and promote a fluid workforce, the OIG is working to optimize technology platforms to promote mobility and cloud computing. Utilizing this virtual IT environment will reduce capital and operational expenditures as well as increase the flexibility for OIG staff in the field. OMT will continue to streamline critical business processes by thoroughly evaluating IT management decisions against a rubric of efficiency and cost effectiveness.
- In 2012, the Office of Management and Budget (OMB) identified continuous monitoring of Federal IT networks as one of 14 Cross-Agency Priority (CAP) goals, established in accordance with the Government Performance and Results Modernization Act. To support Federal departments and agencies in meeting the CAP goal, the Department of Homeland Security (DHS) established

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the Constant Data Monitoring (CDM) Program. Utilizing the CDM framework, OMT will be able to enhance security in hardware assets, software assets, configuration management, and vulnerabilities management. OMT will analyze real-time incidents and collaborate with DHS on vulnerability improvements. Real time network monitoring will increase situational awareness and reduce mitigation timelines. OIG IT personnel will coordinate with U.S. Information Security intelligence and policy agencies to keep OIG employees informed of current threats and vulnerabilities. The OIG security program has grown with the evolving Presidential directives, OMB mandates, and FISMA compliance requirements. Continual enhancements to the OIG's IT infrastructure and personnel will guide future efforts to meet Federal regulations and ensure a proactive security posture.

- The OIG continues to focus on reducing the organizational space footprint. Eliminating excess or underutilized space has allowed resources to be redirected for use in the core responsibility areas within the OIG. By using these savings as an offset against programmatic expenses this has reduced the growth rate and need for increased appropriated dollars. In fiscal year 2017, the OIG is planning to close additional square footage that will produce rent savings in fiscal year 2018. In addition, two other offices will have reduced their total space footprint during fiscal year 2017. In fiscal year 2018, the OIG is considering additional space reduction initiatives in several other offices across the country. This effort requires upfront investment, but can produce significant savings over the long run. Based on the successes the OIG has experienced to date, the push to look for new cost containment opportunities through space reduction remains a high priority.

Fiscal Year 2018 General Provisions

Note: This documents summarizes the General Provisions (GPs) in the FY 2018 Budget relative to the FY 2016 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 [rescinded] *cancelled* or in the case of cash, shall be remitted to the Treasury, and such amounts of budget authority or cash recaptured and not rescinded 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 [rescinded] *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 *2018* 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 2018.

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[SEC. 203. [Sections 203 and 209 of division C of Public Law 112–55 (125 Stat. 693–694) shall apply during fiscal year 2017 as if such sections were included in this title, except that during such fiscal year such sections shall be applied by substituting "fiscal year 2017" for "fiscal year 2011" and for "fiscal year 2012" each place such terms appear, and shall be amended to reflect revised delineations of statistical areas established by the Office of Management and Budget pursuant to 44 U.S.C. 3504(e)(3), 31 U.S.C. 1104(d), and Executive Order No. 10253.]

Explanation of this Section: This provision consolidates and extends Sections 203 and 209 of the FY 2012 Appropriations Act, which are longstanding provisions for the Housing Opportunities for Persons with AIDS (HOPWA) program. The provision continues to give HUD the authority to honor agreements between cities and their states to manage HOPWA grants, allow former grantees to continue to receive direct allocations, and allow the program to use AIDS incidence data collected over a three-year period instead of one year. This provision also updates the references to the MSAs in the FY 2012 Appropriations Act to reflect the updated names as delineated by Office of Management and Budget.

Proposed Action: The President’s Budget proposes excluding this section because it is no longer necessary, since section 701 of HOTMA changed the distribution formula.

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 LEGAL SERVICES.* —*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) (1) 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)."*

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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 making this section permanent 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 2018 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.

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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 2016, 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. A public housing agency or such other entity that administers Federal housing assistance for the Housing Authority of the county of Los Angeles, California, and the States of Alaska, Iowa, and Mississippi shall not be required to include a resident of public housing or a recipient of assistance provided under section 8 of the United States Housing Act of 1937 on the board of directors or a similar governing board of such agency or entity as required under section (2)(b) of such Act. Each public housing agency or other entity that administers Federal housing assistance under section 8 for the Housing Authority of the county of Los Angeles, California and the States of Alaska, Iowa and Mississippi that chooses not to include a resident of public housing or a recipient of section 8 assistance on the board of directors or a similar governing board shall establish an advisory board of not less than six residents of public housing or recipients of section 8 assistance to provide advice and comment to the public housing agency or other administering entity on issues related to public housing and section 8. Such advisory board shall meet not less than quarterly.]

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Explanation of this Section: Exempts Los Angeles County, Alaska, Iowa and Mississippi from the requirement of having a PHA resident on the board of directors. Instead, the public housing agencies in these States are required to establish advisory boards that include public housing tenants and Section 8 recipients.

Proposed Action: The President's Budget proposes excluding this section as it is no longer necessary with the enactment of Section 114 of HOTMA.

[SEC. 211. 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. [212]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 [2016] 2018 and [2017] 2019, 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

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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—

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- (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) [PUBLIC NOTICE AND] RESEARCH REPORT.—

[(1) The Secretary shall publish by notice in the Federal Register the terms and conditions, including criteria for HUD approval, of transfers pursuant to this section no later than 30 days before the effective date of such notice.]

[(2)] 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 minor drafting changes to the notice requirement and dates.

SEC. [213] 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;

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- (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. 214. 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. [215] 208. *HECM CAP.* [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, 2015, 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.—".*

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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. [216] 209. Notwithstanding any other provision of law, in fiscal year [2016] 2018, 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 2018.

[SEC. 217. 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

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distribute all funds subject to such guarantee to the units of general local government in non-entitlement 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 2018 request.

[SEC. 218. 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. 219. 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 prohibited 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."

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SEC. [220] 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 under the accounts "Executive Offices" and "Administrative Support Offices," as well as each account receiving appropriations for "Program Office Salaries and Expenses," and "Government National Mortgage Association—Guarantees of Mortgage-Backed Securities Loan Guarantee Program Account", [and "Office of 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 one modification. The OIG is excluded to allow the Office full independence over its financial management.

SEC. [221] 211. The Secretary of the Department of Housing and Urban Development shall, for fiscal year [2016] 2018, 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 [2016] 2018, 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. 222. 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.]

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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. [223] 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 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 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. 224. The Disaster Housing Assistance Programs, administered by the Department of Housing and Urban Development, shall be considered a "program of the Department of Housing and Urban Development" under section 904 of the McKinney Act for the purpose of income verifications and matching.]

Explanation of this Section: This provision ensures that all recipients of HUD Disaster Assistance funds meet the criteria set forth in the McKinney Act for income verification and matching.

Proposed Action: The Department proposes excluding this provision, which was enacted under Section 501 of the Housing Opportunity Through Modernization Act of 2016.

SEC. [225] 213. (a) 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

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condition of any property covered under a housing assistance payment contract.

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)) 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).

(b) The Secretary 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 59 or less;
- (2) fails to certify in writing to the Secretary within 3 business days that all Exigent Health and Safety deficiencies and all 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.

(c) (1) 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 to fully correct such deficiencies, the Secretary may—

- (A) require immediate replacement of project management with management agent approved by the Secretary;
- (B) impose civil money penalties;
- (C) abate the section 8 contract, including partial abatement, 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) pursue exclusionary sanctions, including suspensions or debarments from Federal programs;
- (F) 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;
- (G) 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
- (H) take any other regulatory or contractual remedies available 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 imminent major threats to health and safety after written notice to and informed consent of the affected tenants and use of other remedies set forth above. To the extent the Secretary determines, in consultation with the tenants and the local government, that the property is not feasible for continued

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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, transfer the contract for project-based rental assistance payments to an owner or owners of other existing housing properties, or provide other rental assistance to the tenants to allow them to relocate.

(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;
- (2) actions that the 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 covered under a housing assistance payment contract.

Explanation of this Section: This general provision will enhance HUD's 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.

- Language was added under (a) to include HUD's rights to take enforcement actions for violations of local codes and ordinances. This enables HUD to take coordinated actions with localities to more promptly bring properties up to decent, safe and sanitary conditions.
- Language in (b)2 was added to allow HUD to take enforcement action for an owner's failure to certify that all exigent health and safety issues, as identified in a REAC inspection, have been addressed. This is essential because these emergency repairs have a significant impact in the living conditions of residents and HUD requires proof that these unacceptable findings have been abated.
- Language in (b)1 was amended to allow HUD to demand immediate corrective action from an owner after a property receives a failing REAC score.
- Language in (b)1 was changed to allow HUD to immediately notify an owner of its obligation to take corrective action and restore the property to decent safe and sanitary condition. The removal of the prior language of a 30-day notification, followed by a 60-day window for a corrective action plan will permit HUD to immediately address substandard physical conditions. This streamlined process is set forth in (c)(1) and will have an immediate beneficial impact on troubled properties.
- The items under (c)(2) give HUD increased enforcement tools to deal with troubled properties and owners, such as replace management, use monetary penalty funds at the affected property, transfer the subsidy contract, and preservation.

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Proposed Action: The Department proposes retaining this provision.

SEC. [226] 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 [2016] *2018*.

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.

[SEC. 227. 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.]

Explanation of this Section: This section prohibits the funds from being used for the doctoral dissertation research grant program.

Proposed Action: The President's Budget does not request any funding for this program, and proposes excluding this provision.

[Sec. 228. HOPE VI AMENDMENTS.—Section 24 of the United States Housing Act of 1937 (42 U.S.C. 1437v) is amended—
(1) in subsection (m)(3), by striking "shall" and inserting "may"; and
(2) in subsection (o), by striking "2016" and inserting "2017".]

Explanation of this Section: This provision extends the authorization of appropriations and sunset provision in the HOPE VI statute through fiscal year 2017.

Proposed Action: The President's Budget excludes this provision and does not request funds for the HOPE VI or Choice Neighborhoods programs.

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[SEC. 229. 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.]

Explanation of this Section: 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.

Proposed Action: The President's Budget proposes excluding this provision.

SEC. [230] 215. [None of the funds made available by this Act may be used] *The Secretary may elect, through notice, not to require or enforce the Physical Needs Assessment (PNA) for public housing units.*

Explanation of this Section: Prohibits funds from being used to require or enforce the physical needs assessment (PNA).

Proposed Action: The President's Budget proposes modifying this provision.

[SEC. 231. 216. 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.]

Explanation of this Section: 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.

Proposed Action: The Department proposes excluding this provision.

SEC. [232] 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

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that has been subject to eminent domain condemnation or seizure, by a state, municipality, or any other political subdivision of a state.

Explanation of this Section: Prohibits HUD from guaranteeing mortgages or mortgage-backed securities that refinance or otherwise replace mortgages that have been subject to eminent domain.

Proposed Action: The President's Budget proposes retaining this provision.

[SEC. 233. 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).]

Explanation of this Section: 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.

Proposed Action: The President's Budget proposes excluding this provision.

SEC. [234] 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. 235. (a) Subsection (b) of section 225 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12755) is amended by adding at the end the following new sentence: "Such 30-day waiting period is not required if the grounds for the termination or refusal to renew involve a direct threat to the safety of the tenants or employees of the housing, or an imminent and serious threat to the property (and the termination or refusal to renew is in accordance with the requirements of State or

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local law)."]

Explanation of this Section: This provision allows for the eviction of HOME rental unit tenants who pose a direct threat to tenants or employees of the housing or are an imminent, serious threat to the property.

Proposed Action: The President's Budget proposes excluding this provision because authority was made permanent by section 235 of the 2016 Consolidated Appropriations Act.

Sec. [236] 218. [None of the funds under this title may be used for awards, including performance, special act, or spot, for any employee of the Department of Housing and Urban Development who is subject to administrative discipline in fiscal year 2016, including suspension from work.] *Employees of the Department of Housing and Urban Development who are subject to administrative discipline in fiscal year 2018, including suspension from work, shall not receive awards (including performance, special act, or spot) for the remainder of fiscal year 2018 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. [237] 219. —The language under the heading Rental Assistance Demonstration in the Department of Housing and Urban Development Appropriations Act, 2012 (Public Law 112–55), is amended—

- (1) in the undesignated paragraph before the first proviso, by inserting the following before the colon: "(herein after 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 provisos;
- (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 "or assistance contracts" after "for such vouchers"; and
 - (C) inserting the following before the colon: "(“Second Component” herein)";
- (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

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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 after 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".

Explanation of this Section: This provision makes changes to the Rental Assistance Demonstration (RAD) Program

Proposed Action: The President's Budget proposes RAD amendments including elimination of the RAD unit cap, expansion to 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. 238. Section 526 (12 U.S.C. 1735f-4) of the National Housing Act is amended by inserting at the end of subsection (b):
(c) The Secretary may establish an exception to any minimum property standard established under this section in order to address alternative water systems, including cisterns, which meet requirements of State and local building codes that ensure health and safety standards.".]

Explanation of this Section: This provision modifies Section 526 of the National Housing Act to allow, but not require, HUD to establish exceptions for alternative water systems that meet requirements of State and local building codes that ensure health and safety standards.

Proposed Action: The President's Budget proposes excluding this section because it was enacted into permanent law in 2016.

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[Sec. 239. The Secretary of Housing and Urban Development shall increase, pursuant to this section, the number of Moving to Work agencies authorized under section 204, title II, of the Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act, 1996 (Public Law 104-134) by adding to the program 100 public housing agencies that are designated as high performing agencies under the Public Housing Assessment System (PHAS) or the Section Eight Management Assessment Program (SEMAP). No public housing agency shall be granted this designation through this section that administers in excess of 27,000 aggregate housing vouchers and public housing units. Of the agencies selected under this section, no less than 50 shall administer 1,000 or fewer aggregate housing voucher and public housing units, no less than 47 shall administer 1,001-6,000 aggregate housing voucher and public housing units, and no more than 3 shall administer 6,001-27,000 aggregate housing voucher and public housing units. Of the 100 agencies selected under this section, five shall be agencies with portfolio awards under the Rental Assistance Demonstration that meet the other requirements of this section, including current designations as high performing agencies or such designations held immediately prior to such portfolio awards. Selection of agencies under this section shall be based on ensuring the geographic diversity of Moving to Work agencies. In addition to the preceding selection criteria, agencies shall be designated by the Secretary over a 7-year period. The Secretary shall establish a research advisory committee which shall advise the Secretary with respect to specific policy proposals and methods of research and evaluation for the demonstration. The advisory committee shall include program and research experts from the Department, a fair representation of agencies with a Moving to Work designation, and independent subject matter experts in housing policy research. For each cohort of agencies receiving a designation under this heading, the Secretary shall direct one specific policy change to be implemented by the agencies, and with the approval of the Secretary, such agencies may implement additional policy changes. All agencies designated under this section shall be evaluated through rigorous research as determined by the Secretary, and shall provide information requested by the Secretary to support such oversight and evaluation, including the targeted policy changes. Research and evaluation shall be coordinated under the direction of the Secretary, and in consultation with the advisory committee, and findings shall be shared broadly. The Secretary shall consult the advisory committee with respect to policy changes that have proven successful and can be applied more broadly to all public housing agencies, and propose any necessary statutory changes. The Secretary may, at the request of a Moving to Work agency and one or more adjacent public housing agencies in the same area, designate that Moving to Work agency as a regional agency. A regional Moving to Work agency may administer the assistance under sections 8 and 9 of the United States Housing Act of 1937 (42 U.S.C. 1437f and g) for the participating agencies within its region pursuant to the terms of its Moving to Work agreement with the Secretary. The Secretary may agree to extend the term of the agreement and to make any necessary changes to accommodate regionalization. A Moving to Work agency may be selected as a regional agency if the Secretary determines that unified administration of assistance under sections 8 and 9 by that agency across multiple jurisdictions will lead to efficiencies and to greater housing choice for low-income persons in the region. For purposes of this expansion, in addition to the provisions of the Act retained in section 204, section 8(r)(1) of the Act shall continue to apply unless the Secretary determines that waiver of this section is necessary to implement comprehensive rent reform and occupancy policies subject to evaluation by the Secretary, and the waiver contains, at a minimum, exceptions for requests to port due to employment, education, health and safety. No public housing agency granted this designation through this section shall receive more funding under sections 8 or 9

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of the United States Housing Act of 1937 than it otherwise would have received absent this designation. The Secretary shall extend the current Moving to Work agreements of previously designated participating agencies until the end of each such agency's fiscal year 2028 under the same terms and conditions of such current agreements, except for any changes to such terms or conditions otherwise mutually agreed upon by the Secretary and any such agency and such extension agreements shall prohibit any statutory offset of any reserve balances equal to 4 months of operating expenses. Any such reserve balances that exceed such amount shall remain available to any such agency for all permissible purposes under such agreement unless subject to a statutory offset. In addition to other reporting requirements, all Moving to Work agencies shall report financial data to the Department of Housing and Urban Development as specified by the Secretary, so that the effect of Moving to Work policy changes can be measured.】

Explanation of this Section: This provision expands the MTW program to high capacity PHAs. Up to fifteen PHAs, totaling no more than 150,000 combined HCV and public housing units, would be selected competitively.

Proposed Action: The President's Budget proposes excluding this section, as the authority granted in fiscal year 2016 was for a one-time MTW expansion.

[Sec. 240. (a) **AUTHORITY.**—Subject to the conditions in subsection (d), the Secretary of Housing and Urban Development may authorize, in response to requests received in fiscal years 2016 through 2020, the transfer of some or all project-based assistance, tenant-based assistance, capital advances, debt, and statutorily required use restrictions from housing assisted under section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013) to other new or existing housing, which may include projects, units, and other types of housing, as permitted by the Secretary.

(b) **CAPITAL ADVANCES.**—Interest shall not be due and repayment of a capital advance shall not be triggered by a transfer pursuant to this section.

(c) **PHASED AND PROPORTIONAL TRANSFERS.**—

(1) Transfers under this section may be done in phases to accommodate the financing and other requirements related to rehabilitating or constructing the housing to which the assistance is transferred, to ensure that such housing meets the conditions under subsection (d).

(2) The capital advance repayment requirements, use restrictions, rental assistance, and debt shall transfer proportionally from the transferring housing to the receiving housing.

(d) **CONDITIONS.**—The transfers authorized by this section shall be subject to the following conditions:

(1) the owner of the transferring housing shall demonstrate that the transfer is in compliance with applicable Federal, State, and local requirements regarding Housing for Persons with Disabilities and shall provide the Secretary with evidence of obtaining any approvals related to housing disabled persons that are necessary under Federal, State, and local government requirements;

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- (2) the owner of the transferring housing shall demonstrate to the Secretary that any transfer is in the best interest of the disabled residents by offering opportunities for increased integration or less concentration of individuals with disabilities;
 - (3) the owner of the transferring housing shall continue to provide the same number of units as approved for rental assistance by the Secretary in the receiving housing;
 - (4) the owner of the transferring housing shall consult with the disabled residents in the transferring housing about any proposed transfer under this section and shall notify the residents of the transferring housing who are eligible for assistance to be provided in the receiving housing that they shall not be required to vacate the transferring housing until the receiving housing is available for occupancy;
 - (5) the receiving housing shall meet or exceed applicable physical standards established or adopted by the Secretary; and
 - (6) if the receiving housing has a mortgage insured under title II of the National Housing Act, any lien on the receiving housing resulting from additional financing shall be subordinate to any federally insured mortgage lien transferred to, or placed on, such housing, except that the Secretary may waive this requirement upon determination that such a waiver is necessary to facilitate the financing of acquisition, construction, or rehabilitation of the receiving housing.
- (e) PUBLIC NOTICE.—The Secretary shall publish a notice in the Federal Register of the terms and conditions, including criteria for the Department's approval of transfers pursuant to this section no later than 30 days before the effective date of such notice.]

Explanation of this Section: The provision gives the Department needed flexibility to transfer Section 811 subsidies to properties that comply with local Olmstead requirements, which prohibit the unlawful segregation of persons with disabilities.

Proposed Action: The President's Budget proposes excluding this section, as the authority granted in fiscal year 2016 continues through 2020.

[Sec. 241. (a) Of the unobligated balances, including recaptures and carryover, remaining from funds appropriated to the Department of Housing and Urban Development under the heading ``General and Special Risk Program Account'', and for the cost of guaranteed notes and other obligations under the heading ``Native American Housing Block Grants'', \$12,000,000 is hereby permanently rescinded.

(b) All unobligated balances, including recaptures and carryover, remaining from funds appropriated to the Department of Housing and Urban Development under the headings ``Rural Housing and Economic Development'', and ``Homeownership and Opportunity for People Everywhere Grants'' are hereby permanently rescinded.]

Explanation of this Section: This provision rescinds unobligated balances in several HUD programs.

Proposed Action: The President's Budget proposes excluding this section, as the authority granted in fiscal year 2016 was a

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one-time, permanent rescission.

Sec. [242] 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 in an appropriations Act for fiscal year 2016 as initially authorized] under section 526 of division H of Public Law 113-76, [and extended under] section 524 of division G of Public Law 113-235, *section 525 of division H of Public Law 114-113, and such authorities as are enacted for Performance Partnership Pilots in an appropriations Act for fiscal years 2017 or 2018*: Provided, That such participation shall be limited to no more than 10 continuums of care and housing activities to improve outcomes for disconnected youth].

Explanation of this Section: This provision adds Homeless Assistance Grants to the list of programs authorized to participate in the Performance Partnership Pilots for Disconnected Youth.

Proposed Action: The President's Budget proposes modifying this section.

Sec. [243] 221. With respect to grant amounts awarded under the heading "Homeless Assistance Grants" for fiscal years [2015] 2018 and [2016] 2019 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.

Explanation of this Section: This provision would allow Homeless Assistance Grant recipients to count program income as an eligible match for 2015 and 2016 CoC program funds.

Proposed Action: The Department proposes retaining this provision with date changes.

[Sec. 244. With respect to funds appropriated under the "Community Development Fund" heading for formula allocation to states pursuant to 42 U.S.C. 5306(d), the Secretary shall permit a jurisdiction to demonstrate compliance with 42 U.S.C. 5305(c)(2)(A) if it had been designated as majority low- and moderate-income pursuant to data from the 2000 decennial Census and it continues to have economic distress as evidenced by inclusion in a designated Rural Promise Zone or Distressed County as defined by the Appalachian Regional Commission. This section shall apply to any such state funds appropriated under such heading under this Act, in each fiscal year from 2017 through 2020, and under prior appropriation Acts (with respect to any such allocated but uncommitted funds available to any such state.)]

Explanation of this Section: This provision modifies CDBG grantee compliance with low- and moderate-income area requirements for areas that are designated rural Promise Zone jurisdictions and certain other economically distressed communities.

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Proposed Action: The President's Budget proposes excluding this section, as the authority granted in fiscal year 2016 continues through 2020.

SEC. 222. ADMINISTRATIVE SUPPORT FEE.—Section 202 of the National Housing Act (12 U.S.C. 1708) is amended by adding the following new subsection:

"(i) ADMINISTRATION.— Notwithstanding any provision of law, and in addition to any other fees charged in connection with the provision of insurance under this title, in each fiscal year the Secretary may, effective on endorsements through September 30, [2019] 2020, charge and collect a fee not to exceed 4 basis points of the original principal balance of mortgages endorsed or submitted for insurance endorsement by the mortgagee that were insured under this title during the previous fiscal year.

"(A) Such fee collected from each mortgagee must be used as offsetting collections for part of the administrative contract expenses funding, information technology expenses, and any necessary salaries and expenses funding provided under the Mutual Mortgage Insurance Program Account under this title, for the purpose of modernizing FHA systems and supporting the implementation of new practices for interaction with lenders.

"(B) The Secretary must establish the amount of such fee through regulations, notice, Mortgagee Letter, or other administrative issuance after providing for public comment."

Explanation of this Section: Provides authority to charge lenders an administrative support fee. These funds will provide enhancements to administrative contract support and FHA staffing, with a focus on increasing the number of loans reviewed annually for quality assurance, which will ensure lender compliance with FHA endorsement policies and reduce losses to the FHA insurance fund.

Proposed Action: The President's Budget proposes the addition of this provision in 2018.

Sec. 223. HECM SPOUSAL SURVIVAL.—Section 255 of the National Housing Act (12 U.S.C. 1715z-20) is amended—

(1) in subsection (b)(1), 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.—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. The Secretary may, within the Secretary's sole discretion, provide for further deferrals. 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."

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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. 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 (P.L. 114-201), is amended by—

(1) revising the second sentence of subparagraph (B)(ii) by inserting after "Secretary", ", or qualify, as defined by the Secretary, as replacement units for such units,"; and

(2) revising subparagraph (D)(ii)(IV) by inserting after "Secretary", ", or 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 the changes will not take effect until the notice is issued.

Explanation of this Section: 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.

Proposed Action: 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 the changes will not take effect until the notice is issued.

Explanation of this Section: 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.

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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. TENANT RENT CONTRIBUTION.—*The Secretary may, through a notice published in the Federal Register, require a family residing in a dwelling unit assisted under the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.), section 202 of the Housing Act of 1959 (12 U.S.C. 1701q), or section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013) to pay as rent for such dwelling unit the greater of any applicable minimum rent or up to 35 percent of the family's monthly income, unless that family would otherwise experience a hardship.*

Explanation of this Section: The proposal allows HUD to increase the amount that an assisted family pays as rent to the greater of the minimum rent or up to 35 percent of the family's gross monthly income (rather than 30 percent of the family's adjusted income) under any or all of the following programs: Public Housing, Section 8, Section 202, and Section 811. (Gross income reflects exclusions, such as the Earned Income Tax Credit, but not deductions, such as the child deduction.) HUD will have the authority to implement a temporary increase to the rent the family pays under the impacted programs through a Federal Register notice.

Proposed Action: The President's Budget proposes adding this new provision.

Sec. 227. MINIMUM RENTS.—*For this fiscal year, the minimum monthly rental amount under section 3(a)(3)(A) of the United States Housing Act of 1937 (42 U.S.C. 1437a(a)(3)(A)), section 202(c)(3) of the Housing Act of 1959 (12 U.S.C. 1701q(c)(3)), and section 811(d)(3) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013(d)(3)) shall be \$50 consistent with any applicable hardship exemptions, beginning on the tenant's first annual or interim recertification following enactment of this section.*

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Explanation of this Section: The proposal temporarily establishes a minimum rent of \$50 per month for families assisted under the public housing, Section 8, Section 202, and Section 811 programs, in order to ensure families are contributing a modest amount toward their rent. The proposal would retain the existing hardship exemptions for the minimum rent requirement.

Proposed Action: The President's Budget proposes adding this new provision.

Sec. 228. PROHIBITION ON UTILITY REIMBURSEMENTS .—For this fiscal year, for dwelling units assisted under the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.), section 202 of the Housing Act of 1959 (12 U.S.C. 1701q), or section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013), no family may receive utility reimbursements, notwithstanding any other provision that limits the amount of rent paid by a family, unless that family would otherwise experience a hardship, as such term is defined by the Secretary through notice.

Explanation of this Section: This proposal temporarily eliminates utility reimbursements that families receive from the PHA or owner in the Public Housing, Section 8, Section 202, and Section 811 programs. The proposal will end direct payments from HUD to families when tenant-paid utility costs exceeded the minimum rent due, but will maintain the utility allowance up to the amount of the tenant rent contribution. Hardship exemptions, as defined by the Secretary, will be available for tenants.

Proposed Action: The President's Budget proposes adding this new provision.

Sec. 229. 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 2018.

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Proposed Action: The President's Budget proposes adding this new provision.

Sec. 230. PUBLIC HOUSING FLEXIBILITIES.—*For funds made available 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, statutes or regulations related to public housing agency reporting or planning requirements, energy audits, income recertifications, and 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. 231. TENANT-BASED RENTAL ASSISTANCE FLEXIBILITIES.—*For this fiscal year, for funds made available under the account "Tenant-Based Rental Assistance", the Secretary of Housing and Urban Development may waive, or specify alternative requirements for, statutes or regulations related to the setting and adjustment of allowable rent levels, payment standards, tenant rent contributions, occupancy standards, PHA assessment programs, or other PHA administrative 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. 232. ENHANCED VOUCHER PAYMENT STANDARDS.—*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";

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(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

(3) in subparagraph (D), by striking "exceed" and inserting "be less than".

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. 233. CAPITAL AND OPERATING FUND FLEXIBILITY. —For funds appropriated under the headings "Public Housing Capital Fund" and "Public Housing Operating Fund" in fiscal year 2018 and in prior fiscal years, a public housing agency may use any amounts allocated to the agency for any eligible activities under subsections 9(d)(1) and 9(e)(1), regardless of the fund from which the amounts were allocated and provided.

Explanation of this Section: This provision extends the flexibility to use 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% of the Operating Fund to the Capital Fund and vice versa. HUD proposes full flexibility for all PHAs using fiscal year 2018 and previous years funding, including the use of existing Operating Reserves for capital improvements. This flexibility would enable PHAs to focus scarce resources on local priorities without being constrained by the statutory limitations of each fund.

Proposed Action: The President's Budget proposes adding this new provision.

Sec. 234. 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 would otherwise 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

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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. 235. CONTINUUM OF CARE TRANSITION GRANTS. *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 adding this new provision.

SEC. 236. *Unobligated balances, including recaptures and carryover, remaining available for obligation from funds appropriated to the Department of Housing and Urban Development in prior Acts and under the headings "Revitalization of Severely Distressed Public Housing (HOPE VI)" and "Choice Neighborhoods Initiative" maybe used for purposes under the "Public Housing Capital Fund" heading in this Act, notwithstanding the purposes for which such funds were appropriated.*

Explanation of this Section: This provision would allow the Department to use Hope VI and Choice Neighborhoods Initiative unobligated balances for Public Housing Capital Fund purposes.

Proposed Action: The President's Budget proposes adding this new provision.