



December 30, 2002

No Happy New Year for Public Housing: HUD Runs Out of Money for Public Housing But Refuses to Seek Additional Funding

HUD officials acknowledge that due to HUD miscalculations and inadequate information systems, public housing will face a \$250 million shortfall in operating funds for fiscal year 2002 but **HUD will not seek supplemental funding for public housing to alleviate the shortfall.** HUD also acknowledges that the shortfall is not the result of PHA management. If HUD does not request additional funding, the 3 million residents of public housing will face significant funding shortfalls for maintenance and services in 13,000 housing developments across the country.

HUD's "fix" for the operating fund shortfall is to ask Congress to authorize the Department to use \$250 million of the FY03 appropriation to cover the shortfall for FY02. HUD will not seek additional funding to cover the gap for FY03. Instead, PHAs will receive \$250 million less in operating funds for FY03 and thereby redress HUD's miscalculations. **Before the FY03 appropriations bill is even passed and signed into law, public housing will be operating under a deficit of at least \$250 million for FY03.**

In a meeting with the PHA representatives on December 20, HUD Assistant Secretary Liu confirmed that HUD's malfunctioning data systems failed to accurately estimate operating cost needs. In addition to problems with its information systems, he admitted that the Department most probably relied on inflation estimates that were too low. Each year, HUD makes a number of assumptions to estimate the operating costs of public housing and allocate funding to over 3,200 PHAs. Despite pleas from PHAs over the years, HUD has consistently lowballed the inflation rates and failed to consider annual increases in utilities, health insurance and other routine costs. In fact, preliminary results from the independent Harvard Public Housing Operating Cost Study show that public housing is underfunded when compared to privately-owned assisted housing.

In justifying the HUD appropriation request for FY02, HUD maintained that 100% of public housing operating costs would be funded. At the same time, the Administration killed the \$300 million Public Housing Drug Elimination Program (PHDEP) stating that all activities funded by PHDEP such as security, crime prevention, and physical improvements could be covered by the operating fund appropriation and still meet 100% of routine operating needs. HUD became aware of the shortfall problem this spring but no action was taken to inform Congress or PHAs.

Public housing residents should not have to pay for HUD's miscalculations. HUD should seek \$250 million from Congress to cover the FY02 shortfall and not rob the FY03 appropriation to make up for its mistakes.