

HUD Issues New “Exchange Rate” for PHAs







More than 3 million residents to be hurt by HUD’s “devaluation” of the dollar



Due to HUD’s accounting mistakes, it is currently funding housing authorities at 70 cents on the dollar.

Basic Currency Rates

Base Currency = United States Dollar *(As of January 30, 2003)*

| | CURRENCY | EXCHANGE RATE |
|--|-----------------------|---------------|
|  AUSTRALIA | Australian Dollars | 0. 5915 |
|  CANADA | Canadian Dollars | 0. 6513 |
|  GREAT BRITAIN | United Kingdom Pounds | 1. 6179 |
|  MEXICO | Mexican Pesos | 0. 0945 |
|  SWITZERLAND | Swiss Francs | 0. 7311 |
|  DEPARTMENT OF HOUSING & URBAN DEVELOPMENT | HUDbucks | 0. 7000 |

For more information on the operating fund shortfall, please see the next page.



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Residents forced to pay for HUD’s mistakes

HUD Blunders — PHAs Pay

On January 6, HUD notified housing authorities that, for the foreseeable future, they will receive 70 percent of the operating funding due from HUD in FY '03. This problem stems from faulty accounting and monitoring systems at HUD. On January 15, the Department issued a “clarifying” letter telling authorities they **MAY** eventually receive up to 90 percent of what is due them. It will still only fund them at 70 percent until the Department figures out its budget position. HUD may not know that until summer, forcing housing authorities to implement cuts in services and possibly serve fewer low-income families.

The current problems follow on the heels of the Bush administration’s successful effort to kill the Public Housing Drug Elimination Program in FY '02. Housing authorities used that program for security programs and resident services. In a statement issued on January 15, Assistant Secretary Liu asserted that, “HUD is doing everything it can to ensure that PHAs get the resources to serve those in need.”

But Secretary Martinez will not take the straightforward step to remedy this problem and ask Congress for emergency funds to make up the \$250 million shortfall. In past years the Department “borrowed” from future fiscal years to make up shortfalls. This year HUD proposes to “borrow” from housing authorities instead. Its “solution” for the shortfall by

borrowing from FY '03 appropriations doesn’t solve the problem. Instead it grossly underfunds public housing in FY '03.

Residents Bear the Brunt

Housing authorities are faced with fixed expenses for utilities and existing contracts, and face annual contract renewals for casualty and health insurance which must be paid and are rising at double digit rates. Unlike HUD, authorities cannot pay 70 percent of their utility bills or insurance premiums. The primary discretionary expenses for most housing authorities are for resident services and personnel costs associated with customer service. To reduce controllable expenses to meet the Department’s funding levels, public housing residents will bear the brunt of the budget cuts.

HUD’s Non-Solution

The Department’s “solution” is not helpful. PHADA has little confidence in HUD’s 90 percent proration estimate, a rosy scenario that only seems to address negative media coverage rather than the problem. By its own admission, HUD’s previous estimates have been way off. PHADA and other industry groups estimate the Operating Fund required for FY '03 to be about \$3.9 billion. If current proposals remain intact, the Operating Fund available for FY '03 operating expenses will remain at historically unprecedented lows.

Congress must solve the current crisis by approving \$250 million in emergency supplemental funding necessary to cover the FY '02 shortfall and by fully funding housing that serves our most vulnerable families, seniors and disabled persons in FY '03 with \$3.9 billion in the Operating Fund.



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