



511 Capitol Court, NE  
Washington, DC 20002  
www.phada.org  
ph: 202.546.5445

# PHADA Positions on The FY 2001 VA/HUD & Independent Agencies Appropriations Bill

The House and Senate bills severely underfund public housing programs in FY 2001. When the cuts in capital funding, HOPE VI, the public housing drug elimination program and the lack of even an inflation adjustment in operating subsidies are aggregated, the total shortfall in public housing funding exceeds \$1 billion.

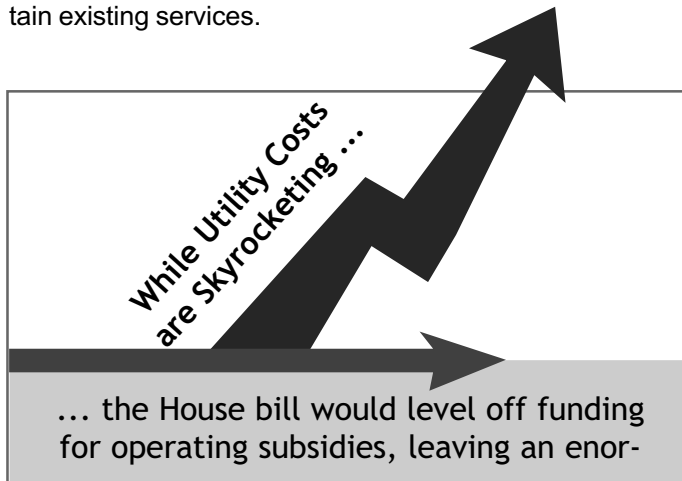
These cuts would be devastating to the program and the 3 million-plus residents it serves.

**In contrast to the pending bills, PHADA recommends the following funding levels for public housing programs in FY 2001:**

- **Operating Subsidies—At least \$3.55 billion**
- **Capital Funding—\$3.5 billion**
- **Public Housing Drug Elimination Program—\$410 million**
- **HOPE VI—\$625 million**
- **Full Funding of all Section 8 Contract renewals in FY 2001**
- **Increase in the Section 8 Fair Market Rent to at least 45%**

## Operating Subsidies

Since rental income is restricted by law, housing authorities receive subsidies to help meet operating costs such as general maintenance, utilities, security, resident services, personnel, insurance, equipment and other necessities. Allocated under the Performance Funding System (PFS), the subsidy makes up the difference between resident rent contributions and the amount needed to maintain existing services.



Operating subsidies have been significantly under-funded the last several years. In fact, PFS has been shortchanged six of the last seven years. HUD estimates that HAs are presently being funded at only 98 percent of overall PFS needs. This inadequate funding has forced many HAs to cut basic services, or to dip into reserves to offset costs. While HAs may be able to adequately address a one year shortfall, the cumulative effect of the operating fund cuts creates severe

budgetary problems for HAs.

Despite this history, the House bill (H.R. 4635), maintains PFS at the existing level (\$3.138 billion) without even an increase for inflation and the Senate bill proposes only slightly more (\$3.192 billion). This “cut” in spending is devastating, especially in light of the fact that it is based on HUD’s projecting a decrease in energy costs instead of taking into account the actual experience of HAs having to pay for dramatically increasing energy expenses.

In preparing its budget, HUD estimated that energy costs would decrease 6 percent, yet the cost of a gallon of gas has increased by 50 percent and heating oil prices are at a ten-year high. If HAs only receive the funding approved in H.R. 4635, they will face a double digit shortfall in their PFS needs.

It is important to remember that of those residents who will suffer from this underfunding, 40% are either elderly or disabled. In addition, many of the families in public housing are seeking to move up the ladder of self-sufficiency through state or local welfare reform initiatives. The current bills would no doubt stifle those efforts in many communities.

In light of the foregoing, **PHADA urges Congress to increase the appropriation to \$3.55 billion**, the amount PHADA estimates is required to fully fund PFS in FY 2001.

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## Public Housing Drug Elimination Program

PHDEP funds are used by HAs to improve security, reduce crime and fight drugs in their local developments. This decade-old initiative has been one of HUD's most important and successful programs in recent years.

Changes made in the method of distributing PHDEP funds have meant more housing authorities are being funded, but the amount individual authorities receive is often reduced.

In addition, there has been no adjustment to PHDEP funding levels for many years to adjust for increases in the police and social service costs funded by this program.

As a result, **PHADA asks Congress to appropriate \$410 million in FY 2001** so that HAs can continue supporting those programs which have played an integral role in reducing the nation's crime rate and improving the quality of life for public housing residents.

## Capital Funding

Capital funds allow HAs to modernize and upgrade their stock to provide better living conditions for residents, and to protect the country's \$90 billion investment in public housing. Funds are used for such improvements as the abatement of hazardous lead-based paint, renovations such as the replacement of roofs, boilers and other major systems, along with additional items necessary to maintain stock that is, in many cases, 50 years old or more.

A recent study commissioned by HUD found that there is currently a \$22 billion backlog in public housing modernization needs. In FY 2000, Congress's allocation of \$2.9 billion was

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\$100 million lower than in FY 1999, and H.R. 4635's allocation of \$2.8 billion is another \$100 million lower. The Senate, meanwhile, proposes \$2.95 billion.

Without an appropriation of the \$3.5 billion which PHADA recommends, HAs can never begin to reduce their backlog of modernization needs. As a result, the quality of life for many residents will erode, and HAs will be constrained in their ability to deal with unsafe and unsanitary environments.

With the stricter physical inspection standard used in Public Housing Assessment System (PHAS) combined with the resident satisfaction survey, inadequate capital funding will result in poorer scores for housing authorities. How can HUD and Congress expect HAs to perform well on their physical inspections and resident satisfaction surveys when their capital funding and operating subsidies are funded well below actual needs?

To maintain progress in the area of capital improvements and begin to reduce the backlog, **PHADA urges Congress to approve a funding level of \$3.5 billion.**

## HOPE VI

Like PHDEP, HOPE VI has been an important element in improving the quality of life for public housing residents. It is a relatively new program which has produced significant results during the last decade. Through HOPE VI the nation's most distressed public housing has been demolished, and new mixed income neighborhoods are rising in their places.

With the experiences developed in the '90s, the interest more and more communities are showing in HOPE VI and the great continued need, now is not the time to cut back on HOPE VI funds. Every HOPE VI dollar leverages an additional \$3.25 in non-HUD investment, making this federal program especially productive in reinvigorating local communities. **PHADA requests an appropriation level of \$625 million for this program.**

## Section 8 Renewals

PHADA fully supports provisions in the bill for the renewal of all expiring Section 8 contracts. Like HUD and Congress, the association believes that families presently served by the program should not be subject to the possible loss of their housing.

PHADA also supports **the increase in the Fair Market Rent level from 40 percent of an area's median rent to at least 45 percent.** The strong economy has created tight rental markets which make it increasingly difficult for voucher holders to find apartments. Having a voucher is no help, if the participant cannot find an apartment.

Raising the FMR will expand the universe of potential rentals, increasing the number of voucher holders who are successful in finding housing. It will also further efforts to deconcentrate subsidized housing by increasing the areas where participants can find units affordable under the program.

The Public Housing Authorities Directors Association  
511 Capital Court, NE, Washington, DC 20002