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Appropriations for FY2003: VA, HUD, and Independent Agencies

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Appropriations are one part of a complex federal budget process that includes budget resolutions, appropriations (regular, supplemental, and continuing) bills, rescissions, and budget reconciliation bills. The process begins with the President's budget request and is bounded by the rules of the House and Senate, the Congressional Budget and Impoundment Control Act of 1974 (as amended), the Budget Enforcement Act of 1990 (scheduled to expire at the end of FY2002), and current program authorizations.

This Report is a guide to one of the 13 regular appropriations bills that Congress passes each year. It is designed to supplement the information provided by the House and Senate Appropriations Subcommittee on VA, HUD, and Independent Agencies. It summarizes the current legislative status of the bill, its scope, major issues, funding levels, and related legislative activity, and will be updated to reflect new developments. The Report lists the key CRS staff relevant to the issues covered and related CRS products.

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Appropriations for FY2003: VA, HUD, and Independent Agencies

Summary

FY2003 Appropriations. Congress has not completed action on FY2003 appropriations, and currently, federal functions are being funded through resolutions to continue spending at FY2002 levels. One of the largest of the 13 appropriations bills funds the Departments of Veterans Affairs (VA), Housing and Urban Development (HUD), and Independent Agencies, including the Environmental Protection Agency (EPA), the Federal Emergency Management Agency (FEMA), the National Aeronautics and Space Administration (NASA), and the National Science Foundation (NSF).

The Committees on Appropriations have both completed VA-HUD bills for FY2003 (as they are often referred to publically), H.R. 5605 (H.Rept 107-740), and S. 2797 (S.Rept 107-222), but neither has advanced past the reported stage. The Committees appear to be seeking to resolve differences between the two versions to facilitate final passage of one bill with identical language, in lieu of a more standard conference between the two Houses to reconcile differences in bills having passed each Chamber.

S. 2797, reported July 25, 2002, recommends a total of $124.5 billion (net, after rescissions) for the activities covered by the bill for FY2003. H.R. 5605, reported October 9, recommends $122.6 billion (net, after rescissions). H.Rept. 107-740 contains the latest estimates of FY2002 expenditures and amounts required to fund the Administration's request for FY2003, showing that FY2002 final net appropriations (including supplementals) reached $123.8 billion, and the Administration's request would require $123.8 billion for FY2003 (although about $40 million less than the previous year's final).

Both versions of the VA-HUD bill recommend $23.9 billion for VA medical care, an increase of $2.4 billion over FY2002, and over $1.1 billion more than requested by the Administration to provide medical services to nearly 5 million veterans, double the number served 5 years ago. S. 2797 recommends an increase to the request of $734 million for HUD, an amount that S.Rept. 107-222 states will be sufficient to renew all expiring rental assistance (Section 8) contracts, and provide for 15,000 additional vouchers. H.R. 5605 matches the request, which comes close to funding HUD programs near the FY2002 level.

The Senate bill proposes adding $679 million to the request for EPA; the House bill would add $584 million. Funding for FEMA, under consideration for inclusion in the proposed Department of Homeland Security, would continue to depend largely on unknown emergency needs. Under both Committee's bills, NASA funding would remain close to FY2002 levels. NSF funding would increase by $564 million under the Senate bill; by $614 million under the House bill. The Corporation for National and Community Service has no recommended program funding under H.R.5605, repeating House Appropriations Committee recommendations of recent years. The Senate bill recommends $521 million; in the past, VA-HUD bills emerging from conference have included funds for CNCS.

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Division abbreviations: DSP=Domestic Social Policy; G&F=Government and Finance; RSI=Resources, Science and Industry.

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Most Recent Developments

House Committee on Appropriations reports H.R. 5605.*. On October 10, 2002, the House Committee on Appropriations reported (H.Rept. 107-740) a bill to provide FY2003 appropriations for the Departments of Veterans Affairs (VA), Housing and Urban Development (HUD), and various other independent agencies. H.R. 5605 recommends a total of $122.6 billion (net, after rescissions) in budget authority for the activities of the departments and agencies covered by the bill.*

Senate Committee on Appropriations reports S. 2797. *The Senate Committee on Appropriations had reported (S.Rept. 107-222) its version of an appropriations bill for VA, HUD, Independent Agencies for FY2003 on July 25. S. 2797 recommends $124.5 billion (net, after rescissions).*

President submits FY2003 budget. *On February 4, 2002, the President submitted a proposed budget for FY2003. According to S.Rept. 107-222, the President's budget requests would require $121.4 billion (net, after rescissions) in appropriations for programs provided through the VA-HUD bill.*

President signs H.R. 2620 as P.L. 107-73, appropriations for FY2002. *On November 26, 2001, President Bush signed the VA, HUD, Independent Agencies appropriations bill for FY2002, P.L. 107-73. Conferees reported November 6, and both Chambers approved the Conference Report (H.Rept. 107-272) on November 8.*

Status

Table 1. Status of VA, HUD and Independent Agencies Appropriations, FY2003

Subcommittee markup		H.Rept. 107-740	Passed House	S.Rept. 107-222	Passed Senate	Conference Report	Conference Report approval		Signed
House	Senate						House	Senate	
10-7	7-23	10-9	–	7-25	–	–	–	–	–

Total Appropriations Enacted for FY2002 and Requested for FY2003 for VA, HUD, and Independent Agencies

Table 2. Summary of VA, HUD, and Independent Agencies Appropriations, FY2002-FY2003
(budget authority in billions)

Department or Agency	FY2002 enacted[a]	FY2003 request	FY2003 H.R. 5605	FY2003 S. 2797	FY2003 Confer.
Department of Veterans Affairs	52.379	56.939	58.131	58.090	–
Department of Housing and Urban Development	32.193	31.349	31.346	32.083	–
Environmental Protection Agency	8.079	7.621	8.204	8.299	–
Federal Emergency Management Agency	10.536	6.704	3.612	4.435	–
National Aeronautics and Space Administration	14.902	15.000	15.300	15.200	–
National Science Foundation	4.809	5.028	5.423	5.353	–
Other Independent Agencies	0.926	1.144	0.557	1.047	–
Grand Total: Appropriations	**123.824**	**123.785**	**122.573**	**124.507**	**–**

Source: S.Rept. 107-222; H.Rept. 107-740.

Note: Totals will not add due to rounding at agency level.

[a] Totals for FY2002 include emergency supplementals; all columns totals are net, after rescissions.

Accrual accounting. In its budget, the Administration proposed that the future costs of retirement benefits and retiree health insurance for current federal employees should be shown as an accrued cost for each fiscal year. Because this change would require legislation, the effects upon annual appropriations are not shown in this report, which is based on Congressional Budget Office (CBO) estimates of program costs under current law. Both Committee reports accompanying the respective VA-HUD bills are critical of the Administration's inclusion of the effects of accrual accounting within the request levels for appropriations, and asks that future legislative proposals be sent to Congress without assuming their enactment for purposes of budget estimates.

FY2003 Funding by Continuing Resolution (H.J.Res. 107-124). Because appropriations for FY2003 were not enacted before the beginning of the fiscal year, Congress adopted resolutions to continue spending at the FY2002 level through January 11, 2003, with the expectation that appropriations work will be completed shortly thereafter. No particular program in the VA, HUD, Independent Agencies bill appears to face dramatic operational problems as a result of the delay in enacting final appropriations for FY2002.

Title I: Department of Veterans Affairs

Spending for VA Programs

FY2003. The President requested $56.6 billion for the Department of Veterans Affairs (VA) for FY2003. Congressional reestimates of the Administration's budget for the VA for FY2003 show the request to be $54.5 billion, an increase of $3.4 billion over the amount projected to be the final appropriations recorded for FY2002.[1] (Congressional estimates do not include amounts that the Administration's budget documents project would be required to carry out an Administration proposal to "book" to the current year, the future costs of federal employee retirement income and health benefits presumed to be earned in that year.)

S. 2797. The Senate Committee on Appropriations has reported S. 2797 (S.Rept. 107-222), FY2003 appropriations for VA, HUD, and Independent Agencies. The Committee's bill would provide $58.09 billion for VA, an increase of almost $7 billion over projected FY2002 expenditures for VA programs, and $3.6 billion more than the President's request, as estimated at the time of the bill's report. (Since that time, estimates of the request have risen by over $2.4 billion for FY2003, and spending for FY2002 is now projected to be $1.3 billion higher than in estimates taken at the time S. 2797 was reported).

Discretionary funds would increase by $2.7 billion under S. 2797, as the Committee "...once again has made VA its top priority..." in the FY2003 bill. The VA medical care program would receive about $23.9 billion in appropriated funds, and $1.4 billion in recovered medical costs available for reuse by the medical program. The combined total of $25.3 billion in spending authority is $3.3 billion above FY2002 levels, and $1.8 billion above the Administration's FY2003 request.

H.R. 5605. On October 10, the House Committee on Appropriations submitted its report for H.R. 5605. The House bill provides a total of $58.1 billion for VA, including $26.6 billion in discretionary funds. The bill would provide the same in medical funds as included in the Senate bill.

FY2002. After including updated spending for increased mandatory spending for VA entitlements, projected FY2002 final appropriations for VA will total $51.1 billion. According to the conference report accompanying P.L. 107-73 (H.Rept. 107-272), the VA-HUD appropriation bill (as the bill containing annual appropriations for VA is popularly known), the Administration requested $50.7 billion for VA programs for FY2002.

VA Cash Benefits. Spending for the VA cash benefit programs is mandatory, and the amounts requested in the budget are based on projected caseloads. Eligibility requirements and benefit levels are specified in law. While the number of veterans is declining, VA entitlement spending, mostly service-connected compensation, pensions, and readjustment (primarily education) payments, reached $23.4 billion in

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[1] Final spending levels remain uncertain until all program experience has been recorded, and any supplemental appropriations or rescissions have been included.

FY2000, $25.7 billion in FY2001, $28.4 billion in FY2002, and is projected to reach $31.6 billion in FY2003. Much of the projected increases FY2001-FY2003 result from cost-of-living adjustments for compensation benefits, and from liberalizations to the Montgomery GI Bill, the primary education program.

Compensation and pensions. The compensation program pays benefits to living veterans who have suffered a loss or reduction in earning capacity as a result of a condition traceable to a period of military service, and to the dependent survivors of certain veterans. The VA pension program is a means-tested benefit for permanently disabled (from a condition unrelated to their military service) veterans of war-time service, whose incomes and assets fall below certain levels. After taking into consideration the financial circumstances and dependents of eligible veterans, the pension payments, along with countable income, are intended to bring their total incomes to the basic targeted amounts.[2] Given the broad availability of other sources of income, including social security, program caseload is diminishing, as fewer veterans have incomes below the categorical levels.

During FY2002, about 2.4 million veterans drew an average of $662 in monthly compensation for service-connected disabilities; about 308,000 of their surviving dependent spouses averaged about $1,046 in monthly payments. Pensions for 347,000 veterans averaged about $623 monthly; 235,000 survivors of veterans pensioners averaged about $261 monthly.

Readjustment. Following a tradition going back to the beginnings of the Republic, near the end of World War II Congress enacted a series of programs to assist veterans in their readjustment to civilian life, and to help the national economy adapt to the influx of demobilizing armed forces. The GI Bill has entered the national lexicon as an example of federal responsibility for this readjustment responsibility, and many citizens continue to refer to the current array of programs by that historical name. Indeed, the largest current program providing readjustment education benefits is named the Montgomery GI Bill program, after its congressional sponsor and the heritage it brought into the age of an all-volunteer military service.

Without conscription to fill the ranks of active duty armed services, the inducements to potential recruits must be sufficient to attract them to enlist. The Montgomery GI Bill provides recruits with the promise of educational assistance when they separate, and the amounts that eligible participants receive has climbed significantly over the last few years. The current payment of $800 per month for 36 months for a participant completing a 3-year enlistment is scheduled to rise to $900 per month on October 1, 2002, and $985 per month on October 1, 2003.

During FY2003, about $2.3 billion in total payments for education payments will go to 326,000 active duty personnel and veterans, 82,000 reservists, and 52,000 dependents. About 160,000 veterans will receive other forms of tuition assistance,

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[2] For 2002, the annual basic level for an eligible single veteran is $9,556; with 1 dependent, $12,516; and each additional dependent, $1,630. Additional amounts are available for eligible veterans who are housebound, or in need of aid and attendance.

65,000 will receive vocational assistance, and 81,000 will receive assistance with preparing for and taking licensing and certification tests.

Medical Care. VA operates the nation's largest health care system, with 172 hospitals, 137 nursing homes, 43 domiciliaries, 206 readjustment counseling centers, 73 home health-care programs, and almost 900 outpatient clinics. About 88% of VA's 207,000 employees are providing medical services to an estimated 4.7 million veterans during FY2002, a caseload expected to reach 4.9 million by the end of FY2003. The FY2001 caseload was about 4.2 million unique patients. Almost 2,000 medical care employment slots will shift from inpatient programs to outpatient care during FY2002.

Outpatient visits are rapidly increasing. The total number of such visits reached 43.8 million during FY2001, and was projected to increase by 2.3 million over FY2002-FY2003, from slightly less than 47 million to 49.2 million. Veterans who are provided outpatient care average around 12 visits per year.

According to VA data accompanying the FY2003 Budget, the daily inpatient caseload for FY2002 was projected to be 57,522 rising to 58,361 patients by the end of FY2003. There is a decline in all service units except for two categories, acute care and nursing homes. Acute care patients have increased because of the larger number of total numbers of veterans who are seeking VA medical services, and while the total number of acute care cases has increased by 2,700 over the last year, the average daily census for acute care has declined by 20 patients, the result of a decline in the average length of stay. The aging of the veteran population, and the congressional commitment to increase the capacity of VA to serve this population, means that the number of patients receiving convalescent care will increase by over 7,000 during FY2003, with the average daily nursing home census rising by 1,205 patients.

The FY2003 Budget request for VA medical care. The Administration has asked Congress to provide $22.7 billion for VA medical care for FY2003, continuing the annual increases in funds as the program continues to serve a larger number of veterans each year. FY2002 congressional appropriations for VA medical care were $21.3 billion, $1 billion above the $20.3 provided for FY2001. Congress approved $19 billion for FY2000.

S. 2797; H.R. 5405. Both the House and Senate Committees on Appropriations recommended $23.9 billion for FY2003 VA medical care, $2.6 billion over FY2002, and $1.1 billion above the amount requested. In its report (S.Rept. 107-222), the Senate Committee states that it is "...deeply concerned about overwhelming evidence that the VA medical system is failing its core constituency–service-connected, lower income, and special needs veterans... [from] numerous anecdotal examples where VA's core constituency does not have access to timely, quality medical care because the networks that serve them are operating with long waiting lists."

The report cites VA data claiming that 310,000 veterans are on waiting lists for medical care, and that many veterans are waiting as much as 6 months for an appointment to see medical staff, a waiting time expected to grow "if current guidelines and expectations do not change." However, in spite of the evidence supporting the perception of expanding waiting lists and longer appointment times, there does not appear to be evidence that VA is denying care to veterans who need it, and it appears that VA is making decisions about the order of treatment given to veterans entirely on a medical basis.

The report suggests that there are 3 reasons for the growth in demands on the VA medical care system:

- Increased access to a system with generous health benefits has encouraged veterans to seek care at VA.
- Eligibility reform in 1996 made more veterans eligible for care. (Veterans were eligible for outpatient care before 1996 if a VA physician prescribed it, but were widely perceived as not eligible.)
- The lack of an alternative national prescription drug program has encouraged veterans, an aging population with an increasing demand for drugs, to seek drug benefits from VA, especially given that VA is limited in the extent to which it pursues copayment obligations.

The report supports a view shared by those who believe that VA should primarily serve a "core constituency" seeking care because they have been adjudicated as having a service-connected basis for care, or because they have been determined as meeting the income/asset tests that indicate limited ability to pay for care elsewhere. If that view were to become the basis for determining who does not receive care at any time, then a medical triage judgement about the priority by which limited medical resources are used to provide needed care would give way to a categorical priority system that prejudges eligibility for health care independent of judgements by medical staff about the urgency of any particular medical service.

At the present time, veterans presenting themselves at a health care intake desk and stating a medical symptom are screened and treated by medical professionals who do not evaluate administrative criteria before providing the medically indicated services. There is no evidence that any such applicants for immediate medical evaluation and care are being turned away, and VA data suggest that the medical system is improving the delivery of care by decreased waiting times for appointments and diminished times in the facility waiting rooms. As VA staff see more walk-in patients while reducing waiting room times, it is possible that appointment delays will increase, unless additional staff slots are provided to handle the increased load.

Thus, the increases in appropriations to VA medical care over the last few fiscal years, and the growth in capacity supported by those increases have encouraged even more veterans to seek care from VA. The growth in the number of veterans served will likely continue to increase, as veterans recognize the advantages to them of seeking care from VA facilities. S. 2797 gives VA the authority to require VA medical facilities to provide care according to statutory priorities. Whether such authority would result in VA limiting medical services according to administrative criteria rather than medical judgements is not stated.

Medical Care Cost Collections. In addition to the funds provided by Congress, VA medical care is also authorized to "recycle" budget authority from amounts VA facilities collect from various sources with an obligation to help defray the cost of VA care for certain patients. The Balanced Budget Act of 1997 (P.L. 105-33) gave VA authority to retain net receipts of the Medical Care Collections Fund (MCCF), allowing the funds to be spent for medical services to veterans rather than be transferred to the Treasury as under previous law. Congress also created a new fund for FY2002, the Health Services Improvement Fund (HSIF), which collects increases in pharmacy copayments that went in to effect on February 4, 2002. This new fund also receives income from "enhanced use leases," which are arrangements for sharing VA medical assets with paying customers from outside of VA. These leases can include the revenue from liquidation or leasing of VA capital assets, as well as income from VA services for which users have contracted.

Congressional Budget Office (CBO) estimated that collection receipts added $691 million in recycled spending authority in FY2002. S. 2797 contains language that combines the two collection accounts, and S.Rept. 107-222 shows a projected combined MCCF/HSIF yield of $1.386 billion for FY2003. The House bill uses that same projected amount.

Medical research. The VA engages in research as an ancillary function of the treatment of veterans, and conducts independent research projects intended to advance medical science. Almost one-half of VA's research funding comes from conventional medical research funding sources, the bulk of which is provided through grants from the National Institutes of Health (NIH). The remaining funds supporting VA research are split almost evenly between appropriations from Congress specifically for such research, and salaries and expenses from the VA medical care budget for the VA medical staff who are producing the studies that exhibit VA's research findings. About two-thirds of the research projects are initiated by the medical staff reporting their findings. These projects are giving greater attention to the diseases associated with an aging population, especially in conjunction with the management of those chronic conditions that are a growing part of the outpatient workload.

S. 2797 recommends $400 million for VA research in FY2003; H.R. 5605 recommends $405 million. The Administration requested $394 million. Congress provided $371 million for VA research in FY2002, $350 million for FY2001, and $321 million for FY2000.

Response to Hepatitis C virus (HCV). The Centers for Disease Control and Prevention (CDC) estimates that over 4 million Americans are infected with Hepatitis C, and some data exist that the disease is even more prevalent among veterans compared to the general population. A VA study in 1999 found that the veterans it surveyed had a prevalence rate of 6.6%, compared to an estimated 1.8% in the general population. Upon release of the study, leading veterans groups and some health care professionals advocated an aggressive response by VA to combat the contagious threat. The Administration's budget estimated that funding for the diagnosis and treatment of infected veterans would rise to $340 million in FY2001, up from $195 million in FY2000, and $46 million in FY1999.

However, VA analysts were concerned that ". . . no comprehensive system was in place to collect information about actual workloads and costs" for the Hepatitis C program because the projections for them "were based on formulas that relied on untested assumptions" and "actual performance (particularly for FY2000) did not bear out projections." While Hepatitis C continues to be a serious health issue in need of dedicated attention to its causes, prevalence, diagnosis, treatment, management and possible cure, it does not appear that the dire predictions about its effect on the veteran population have been borne out. However, the costs of diagnosis and treatment have risen considerably from their FY1999 levels. Actual costs for HCV related medical services during FY2001 are estimated to have been $98 million, and for FY2002 are projected to reach $105 million, with $111 million expected to support diagnosis and treatment during FY2003.

Housing benefits. The VA program to guarantee home loans for veterans has made a significant contribution to the national goal of increasing the number of families who own their own homes. Because of the guarantees, lenders are protected against losses up to the amount of the guarantee, thereby permitting veterans to obtain mortgages with little or no down payment, and with competitive interest rates. These guarantees, and certain direct loans to specific categories of veterans were obligations of the federal government that constituted mandatory spending; administrative expenses are discretionary appropriations transferred from the home loan programs to the General Operating Expenses account.

Table 3. Department of Veterans Affairs Appropriations, FY1998-FY2002

(budget authority in billions)

FY1998	FY1999	FY2000	FY2001	FY2002
$42.41	$44.25	$46.04	$47.95	$52.38

Source: Figures for FY1998-FY2001 are from administration budget submissions of subsequent years; the figure for FY2002 is from H.Rept. 107-740, and is the latest available estimate for that fiscal year. Final spending levels remain uncertain until all program experience has been recorded, and any supplemental appropriations or rescissions have been included.

VA construction. The Administration requested $194 million for major construction projects for FY2003, and $211 million in minor construction (projects with an estimated cost under $4 million) for FY2003, the amount for minor construction as was appropriated for FY2002. "Major construction" projects have an estimated cost over $4 million. Many of the construction projects will continue VA's overall strategy of expanding outpatient access for medical care.

S. 2797 endorses the request for both major and minor construction projects, and accepts the proposed allocations of funds among various construction projects planned by the Department. H.R. 5605 endorses the request for major construction, and recommends increasing the minor construction funds to $241 million.

Congress provided $183 million in major construction for FY2002, and $211 million in minor construction. Congress provided $66 million for major construction, and a total of $171 million for minor construction for FY2001. P.L. 106-74 included $65 million for major construction, and $160 million for minor construction for FY2000.

The following table shows appropriations to VA for FY2002, the Administration's request for FY2003, amounts recommended by each House for FY2003, and the amounts ultimately enacted by Congress and signed by the President.

Table 4. Appropriations: Department of Veterans Affairs, FY2002-FY2003

(budget authority in billions)

Program	FY2002 enacted	FY2003 request	FY2003 H.R. 5605	FY2003 S. 2797	FY2003 enacted
Comp., pension, burial[a]	26.044	28.949	28.949	28.949	–
Insurance/indemnities	.026	.028	.028	.028	–
Housing programs	.204	.339	.339	.339	–
Readjustment benefits	2.135	2.265	2.265	2.265	–
Subtotal: Mandatory	*28.409*	*31.581*	*31.580*	*31.580*	–
Medical care[a,b]	21.473	22.744	23.889	23.889	–
Med., prosthetic research	.371	.394	.405	.400	–
Medical administration	.067	.070	.075	.070	–
General operating exp.	1.198	1.256	1.251	1.256	–
Admin. expense (hsng.)	.166	.169	.169	.169	–
Nat'l Cemetery Admin.	.121	.133	.133	.133	–
Inspector General	.052	.055	.061	.055	–
Construction, major	.183	.194	.194	.194	–
Construction, minor	.211	.211	.241	.211	–
Grants; state facilities	.100	.100	.100	.100	–
Parking, revolving fund	.004	.000	.000	.000	–
State veteran cemeteries	.025	.032	.032	.032	–
Subtotal: Discretionary	*23.971*	*25.358*	*26.550*	*26.509*	–
Subtotal: (VA)	**52.379**	**56.939**	**58.131**	**58.090**	**–**

Source: S.Rept. 107-222; H.Rept. 107-740.

Note: Rounding may cause discrepancies in subtotals.

[a] Includes supplemental appropriations provided by P.L. 107-206.

[b] Medical Care Collections Fund (MCCF) receipts are restored to the Medical Care account as an offset equal to the revenue collected, estimated to be $691 million in FY2002; the amount projected for FY2003 has been reestimated upward from $752 million to $1.386 billion.

Capital asset realignment. VA has developed a comprehensive planning approach to constructing, altering, extending, or otherwise improving facilities. In part, this new planning approach, called Capital Asset Realignment for Enhanced Services (CARES), is the Department's reaction to the criticism it has received from areas of the country in which hospital resources have been cut back, in order to redirect those resources to outpatient care, usually in other geographical areas. While VA has been successful in expanding the number of patients it serves, conflict continues between advocates of a more efficient use of resources (who advocate reducing hospital space and closing or selling superfluous inpatient facilities), and veterans groups (who see any reduction in inpatient care as a threat to the medical care needs of the veteran population).

The CARES effort is an attempt to make the planning process by which the capital assets are developed, used, modified, or relinquished, open to veterans groups. Often, the fears about reductions in health care to veterans are based on an inadequate understanding of the improvements in care for more veterans that such realignment of resources makes possible, and the CARES approach may lessen those misunderstandings.

Some veterans have expressed the belief that, over time, moving resources from an inpatient facility in one area to outpatient access in another yields an unacceptable rate of deterioration in the former facility, as the commitment to maintain the building is diminished as the Department moves toward its eventual abandonment.

Burial and cemetery benefits. Payments to honor and help defray the cost of veterans' burials will total about $155 million in FY2003, and cover about 84 thousand burials, 69 thousand burial plots, 9 thousand service-connected deaths, 528 thousand flags, and 354 thousand headstones and markers.

Department administration. The Administration requested $1.256 billion for General Operating Expenses (GOE) for FY2003, and $70 million for medical administration; S. 2797 endorses the request; the House bill recommends $5 million less. Congress also had approved the Administration's request for funds for administration for FY2002, providing $1.2 billion for GOE and $67 million for medical administration.

VA employment estimates. The Bush Administration projects overall VA employment will decline to an average of 204,670 in FY2002, down from an average 205,896 during FY2001, which was up from an average of 202,621 during FY2000, and 205,547 in FY1999. Much of the decline will be in medical staff, which VA projects will average 179,300 during FY2002. Currently, VA projects that VA medical care slots will average 181,500 in FY2001. VA originally estimated that 179,206 medical care slots were needed for FY2001, compared to an 179,520 in FY2000, and 182,661 in FY1999.

Accrual Accounting. Part of the Administration's budget estimate of a $4.4 billion increase in total VA spending for FY2003 does not reflect expanded program costs for additional benefits or medical services to veterans, but a change in methods by which future compensation for VA employees who will eventually retire is attributed to current service those employees perform. This new accounting method would result in the transfer of $892 million to central accounts in the Treasury to fund the accruing future cost of retirement and retiree health benefits for VA employees. Because the accrued funds would be retained in a government fund, this new accounting practice does not affect employees' benefits in any way, nor does it have a direct impact on taxpayers.

However, to cover the accrual payments, the changing practice makes the apparent current cost of VA employment somewhat higher, especially in the labor intensive medical programs, as appropriations to fund requested program levels must be higher than would otherwise be required to maintain the same level of services. Although there is no necessary reason for accrual accounting to make any difference in total government expenditures over time, the apparent higher current personnel costs for individual agencies may act as a psychological impetus to reduce personnel expenditures if Congress requires the agency to absorb the accrual transfer within an appropriation that does not increase to meet the new requirement.

These changes in accounting require legislation, and are not included in appropriations estimates in this report. Furthermore, S.Rept. 107-222 is critical of the Administration's inclusion of accrual accounting amounts in its budget requests for the various discretionary appropriation accounts, adding that "[t]hese amounts are based on legislation that has yet to be considered and approved by the appropriate committees of Congress [leading] to numerous misunderstandings both inside and outside of Congress of what was the 'true' President's budget request....OMB should follow long-established procedures with respect to discretionary spending proposals that require legislative action." H.Rept. 107-740 includes similar language.

For additional information on VA programs, see CRS Report RL30803, *Veterans Issues in the 107th Congress*, by Dennis Snook.

Concurrent Receipt. The House bill (H.R. 5605) addresses a controversy arising from a provision in the National Defense Authorization Act (H.R. 4546, currently in conference) that would eliminate statutory language prohibiting military retirees from drawing their full DoD retired pay if they also draw VA service-connected disability payments. Advocates of this "concurrent receipt" liberalization have long sought this change in benefit rules, the original language explicitly prohibiting concurrent receipt having been enacted in 1891. Under current law, the retired pay (which is taxable as ordinary income) is offset by the compensation payments (which are tax-free payments). Thus, military retirees currently receive a tax advantage from eligibility for payments from both programs, but do not fully collect two separate payments reflecting the same period of military service.

The Administration has threatened to veto the conference bill if it contains either the House or Senate versions of concurrent receipt under consideration by conferees. The House version would give 110,000 military retirees higher payments (averaging about $18,000 annually), while the Senate version would increase payments for 700,000 retirees an average of $6,400 annually. The Congressional Budget Office (CBO) estimates the House provision would cost $1.1 billion in the first year, and $24.8 billion over 10 years, and the Senate version would cost $4.3 billion the first year, and $61.2 billion over 10 years.

While both Houses have acted favorably on their respective proposals by significant margins in the wake of substantial lobbying efforts by proposal advocates, there remains little doubt that substantial resistance to concurrent receipt remains high, given the costs and policy implications. H.R. 5605 contains language exhibiting House Appropriations Committee opposition. Section 114 explicitly prohibits VA from using any of its FY2003 appropriations for adjudicating new compensation claims arising from concurrent receipt legislation. Presumably, all claims from veterans drawing military retired pay, which are not filed before the date of enactment, would not be processed, thereby denying the additional payments to as many as 800,000 retired veterans that VA estimates could apply for service-connected disability compensation over the next 3 years.

While questions have arisen whether or not this legislative move to render concurrent receipt a "right without a remedy" could withstand court challenges, it does not clearly violate any legal rules.

For further information on this issue, see CRS Report RS21327, *Concurrent Receipt of Military Retirement and VA Disability Benefits: Budgetary Issues*, by Amy Belasco.

Title II: Department of Housing and Urban Development

Introduction

Most of the appropriations for the Department of Housing and Urban Development (HUD) address the housing problems faced by households with very-low incomes or other special housing needs. Programs of rental assistance for the poor, elderly or handicapped, housing assistance for persons with AIDS, varying types of shelter for those who are homeless – all deal with the issue of the availability of affordable housing. The two large HUD block grant programs also help communities finance various efforts to address these housing issues. In the last half dozen years, HUD has focused more attention than previously on efforts to increase homeownership opportunities for lower-income and minority households.

The following sections highlight the Administration's proposed HUD budget for FY2003, together with House and Senate Appropriations Committee responses. Funding levels requested by HUD, and recommended by S. 2797 and H.R. 5605 for individual HUD programs are shown in **Table 6**, *infra*. An overview of the main policy issue in housing, the shortage of affordable rental housing is provided. Discussion of budget proposals for individual HUD programs, beginning with Public and Indian Housing Programs, *infra*.

Highlights of Administration's Proposed HUD budget for FY2003

- Proposed FY2003 budget of $31.3 billion;
- All expiring Section 8 rental contracts are renewed;
- Additional housing choice vouchers of 33,400;

- Public Housing Capital Fund cut by $417 million;
- Initiative to convert public housing units to Section 8 project-based assistance;
- Community Development Block Grants cut by $284.5 million;
- HOME up by $238 million, with $200 million for down payment initiative;
- Help for persons with AIDS increased to $292 million; and
- HUD to end acquisition of foreclosed FHA single-family homes.

Summary: Administration's Proposal and Committee Responses.

The Administration presented its FY2003 budget for the Department of Housing and Urban Development (HUD) on February 4, 2002, the first budget that fully reflects its own vision for the agency, and for federal policy on housing and urban development. The proposal called for $31.35 billion of discretionary budget authority, about $1.2 billion more than the $30.15 billion funded in FY2002 (In addition, $2.045 billion of one-time emergency supplemental appropriations for aid to New York City, along with related rescissions, bring a base-line total for FY2002 for HUD to $32.19 billion, as shown in Table 5 and 6). The House Appropriations Committee reported H.R. 5605 (H.Rept. 107-740) on October 9, 2002, recommending $31.35 billion for HUD for FY2003, the same $1.2 billion increase as the HUD request. On July 25, 2002, the Senate Appropriations Committee filed their report (S. 2797. S.Rept. 107-222) recommending $32.1 billion, about $1.9 billion more than enacted for FY2002.

The Administration's $17.5 billion request for the Housing Certificate Fund (including the carryover of $640 million of unobligated Section 8 program reserves) essentially maintains the "status quo" for the Section 8 rental assistance program since it only renews, but does not add to the total number (2.9 million) of households now being assisted – although it will require about $1.7 billion more to assist these 2.9 million households, largely because of rising rent levels. The President's proposal to add 33,400 additional vouchers, at a cost of $204 million, would not significantly reduce the 4.9 million very low-income renter households that HUD says pay more than 50% of their income for shelter or who live in substandard housing, but who receive no federal assistance. These are often referred to as "worst case" renters.

For several years, both the House and Senate Appropriations Committees have expressed concern and frustration about the amount of unspent Section 8 funds that have been accumulating in the reserve accounts of Public Housing Authorities (PHAs) and the lack of progress in resolving that problem. The House bill contains a controversial new formula to fund the Section 8 program that purports to accomplish a resolution of the issue. H.R.5605 recommends $18.35 billion for the Housing Certificate program (largely for Section 8 rental assistance). While this is substantially above the amount enacted in FY2002 - an increase of $946 million, only $16.6 billion of this amount would come from direct appropriations. The remaining $1.8 billion that would come from the carryover of unobligated (unspent) balances in two reserve accounts maintained by individual PHAs. An estimated $938 million would be drawn from Section 8 program reserves and about $830 million from Section 8 administrative reserve accounts. PHAs would get Section 8 funding from direct appropriations based on their most recent financial statement. If this were not enough to renew all of their Section 8 contracts, they would have to draw upon their reserve accounts. PHAs could still apply to HUD for funds from a new "central reserve fund" to be established with an initial amount of $280 million, if the amounts otherwise provided are insufficient to carry out the PHA objectives.

The House Committee says this new approach will be sufficient to assure that all families now receiving Section 8 rental assistance can continue to be helped. However, the Center on Budget and Policy Priorities (cbpp.org) says the proposed funding formula is flawed since it is based on financial statements that could be one or more years behind the current level of a PHA's Section 8 activity. They claim that the proposed formula would mean the equivalent of about 150,000 fewer vouchers would be available than under the current formula. They argue that PHAs that been most successful in increasing their voucher utilization rates will have the smallest reserve funds to draw upon, and that the new central reserve account with $280 million will not be adequate. They conclude that families currently using vouchers in some PHAs could end up either paying higher rents or losing their vouchers.

Under the House bill, $36 million would be allocated for about 6,0000 additional vouchers that are targeted to non-elderly disabled families now living in public housing projects that have been designated as occupancy by the elderly.

The Senate bill, S. 2797, recommends an appropriation of $17.4 billion for the Housing Certificate Fund in FY2003, about $100 million below the Administration's request. About 15,000 additional vouchers would be funded.

The Administration is proposing a controversial $417 million cut to the Public Housing Capital Fund under its "Reinvestment Initiative," from $2.843 billion in FY2002 to $2.426 billion in FY2003. HUD believes PHAs could make up the $417 million reduction by pledging future revenues from units as collateral for private-sector loans to rehabilitate or replace aging properties. Both the House and Senate bills reject this initiative as premature (needs more study). H.R. 5605 recommends level funding for the capital program, at $2.843 billion, $417 million more than the Administration's request. The Senate Appropriation Committee recommends $2.783 billion, $357 million above the President's budgeted amount. The Administration would increase the Public Housing Operating Fund by $35 million to $3.530 billion. Both the House and Senate Appropriation Committees recommend small increases in the operating fund for FY2003, $70 million and $35 million respectively.

The HOPE VI program, that is used to rehabilitate or tear down the worst public housing units, would receive $574 million under the Administration's proposal, the same as provided for FY2002. Both H.R. 5605 and S. 2797 would also provide $574 million. In its report, the Senate Committee expressed certain concerns about the future of the program and included language to sunset the program on September 30, 2003 to encourage "a meaningful reauthorization process" between HUD and the appropriate authorizing committees.

The Public Housing Drug Elimination Grant program, that had been funded at about $300 million annually in recent years, received no funding in FY2002. The Administration did not request funding for FY2003 and neither the House nor the Senate bills recommend funding. This despite some interest in renewed funding by some in Congress. Others point out that the public housing capital and operating accounts can be used to combat drug use.

The Administration is proposing to cut the Community Development Block Grant (CDBG) program by $284.5 million, from $5.0 billion to $4.716 billion. The Administration proposes to change the formula to reduce grants to the wealthiest 1% of communities, defined as those with per capita incomes two times the national average. The estimated $16 million savings from this proposal would be used to fund a regional initiative to increase the availability of affordable housing, economic opportunity, and infrastructure in the "Colonia." Colonias are communities within 150 miles of the U.S. Mexican border that are often described as having "third world" living conditions. Neither the House nor the Senate bills recommend funding for the Colonia Gateway Initiative. Most of the proposed cuts to the CDBG program would come from economic development initiatives (also called special purpose grants). These grants received $294 million in FY2002 despite opposition from the Administration. Neither the House nor the Senate appropriators agreed to cuts in the special purpose grants. The House bill recommends $5.0 billion for CDBG, the same as in FY2002, and the Senate bill asks for slightly more, at $5.05 billion.

The HOME block grant program would be increased by $238 million to $2.08 billion under the Administration's request. The House bill increases the HOME program by $137 million more then the Administration's proposal, while the Senate bill, at $1.95 billion, is $134 million less than the Administration amount, but $104 million more than the program received in FY2002. A proposed new set-aside has been the source of some controversy. The Administration is again requesting (as it did for FY2002) a $200 million set-aside within the HOME block grant program for FY2003 for its Downpayment Assistance Initiative. This initiative was funded at $50 million, but the funds were later rescinded by a FY2002 supplemental appropriations bill (P.L. 107-206). Some local governments argued that the set-aside would mean they would have to make cuts to some existing HOME-funded efforts. For FY2003 however, the Administration would increase the overall HOME program by $238 million to $2.08 billion to cover the downpayment initiative. The House bill recommends $375 million more than enacted for FY2002 and includes the $200 million set-aside. The Senate bill would increase the HOME program by $104 million, but does not recommend funding for the downpayment initiative.

HUD has a number of programs to protect vulnerable populations - the elderly, persons with physical and mental disabilities, individuals with HIV/AIDS, and the homeless. Administration funding for supportive services for elderly and disabled persons is recommended at $1.02 billion for FY2003, the same as in FY2002. Both the House and Senate bills recommend small increases in these programs. The Administration, and the Housing and Senate appropriators are recommending $292 million, a $15 million increase over the FY2002 level for housing for persons with AIDS.

HUD proposes to spend $1.13 billion on programs for the homeless, about level with funding during the previous 2 years. HUD Secretary Martinez says that ending chronic homelessness in the next 10 years is a top priority. Both the House and Senate bills recommend increases in funding for the homeless programs: $128 million over the FY2002 level in the House bill, and $93 million more in the Senate bill.

Neither the House nor the Senate Committees accepted the Administration's request to eliminate funding for the Office of Rural and Economic Development, but instead, recommended funding at $25 million, the same as in FY2002.

The control and removal of lead-based paint has been a priority of this Administration and an increase of $16 million in the program is proposed for FY2003. The House bill would provide a same $16 million increase, while the Senate bill would increase the program by $91 million to $201 million. The President requests $45.9 million for Fair Housing programs, level funding with FY2002, and the House and Senate committees agree with this.

HUD's Federal Housing Administration (FHA) mortgage insurance program are operating with very high delinquency rates (a record 11.81% of borrowers were at least 30 days past due and 2.79% were in the foreclosure process as of the 2nd quarter of 2002). The Senate Appropriation Committee report contains extensive comments on the FHA's lender oversight program. The Committee notes that ..."in some cases and in certain neighborhoods, FHA has been misused to underwrite bad loans that lead to defaults and foreclosed homes, contributing to neighborhood decline and destabilization" and directs HUD to report to the appropriate Congressional Committees on further actions that can be taken to protect homebuyers and communities.

FY2002 Appropriations. The President signed P.L. 107-73 on November 26, 2001 providing HUD with $30.15 billion for FY2002 (H.Rept. 107-272). This is $1.67 billion more than FY2001 appropriation of $28.48 billion, an increase of about 6%. Of the $30.15 billion approved, $16.28 billion, more than half of the HUD budget, is to renew all Section 8 expiring contracts, add an additional 25,900 vouchers, and pay for contract administration and various tenant protection assistance. The $30.15 billion is in addition to the $2 billion in emergency supplemental funds made available to HUD's Community Development Fund to be used for assistance and economic revitalization related to the terrorist attacks in New York City (H.R. 2888, P.L. 107-38, signed by the President on September 18, 2001).

On August 2, 2002, the President signed H.R. 4775 as P.L. 107-206 (Conference Report, H.Rept. 107-593), the FY2002 Supplemental Appropriations Act for Further Recovery From and Response to Terrorist Attacks on the United States. This Act provides an additional $783 million for the Community Development Fund for further recovery efforts in New York City. The Act also rescinds $738.5 million in HUD funds, including $388.5 million of unobligated balances from the Section 8 voucher program, $300 million realized from the prepayment of Section 236 subsidized mortgages, and $50 million from the Administration's HOME downpayment assistance initiative. The Section 236 money had been intended for the rehabilitation of assisted multifamily housing, and some housing organizations have criticized HUD for the delay in the spending of these funds, thus leaving them open for rescission. For more details, see CRS Report RL31406, *Supplemental Appropriations for FY2002: Combating Terrorism and other Issues.*

Table 5. Department of Housing and Urban Development Appropriations, FY1998 to FY2002

(Net budget authority in billions)

FY1998	FY1999	FY2000	FY2001	FY2002
$21.44	**$24.08**	**$25.92**	**$28.48**[a]	**$32.19**[a]

Source: Figures for FY1998-FY2001 are from administration budget submissions of subsequent years; the figure for FY2002 is from H.Rept. 107-740, and is the latest available estimate for that fiscal year. Final spending levels remain uncertain until all program experience has been recorded, and any supplemental appropriations or rescissions have been included.

[a] Includes net effect of treating "excess" FHA mortgage insurance premiums as an offset against discretionary spending within the Federal Housing Administration. The offsets are an estimated -$2.246 billion for FY2001, and -$2.323 billion for FY2002. Because of the scoring change, the figures for FY2001 and FY2002 are not comparable to figures shown for previous fiscal years. The FY2002 figure includes $2 billion in emergency supplemental funds for the Community Development Fund for assistance to New York City following the terrorist attacks of September 11, 2001.

Policy Issue: The Shortage of Affordable Rental Housing

A budget is a statement of spending priorities. Despite the fact that HUD now spends most of its budget – an average of about $28 billion in recent years – to help low-income families with their housing costs, the shortage of *affordable* rental housing for lower-income households continues to be the most important housing issue before the Congress. (Housing that costs more than 30% of one's income is considered by the government to be burdensome or "unaffordable".) In a February 5, 2002 conference held by the Urban Institute, *Preventing Homelessness: Meeting the Challenge*, researchers found that the number of homeless people in a number of large cities was increasing, and all attributed this to a growing shortage of affordable housing. Others believe this shortage is reducing the chances that welfare recipients will be able to achieve economic self-sufficiency. Many mayors and governors and other elected officials believe the problem has become serious.

Including the effect upon federal revenues of residential real estate-related tax provisions, and housing programs through HUD and the Department of Agriculture, the federal government now spends more than $140 billion on housing assistance. The Congressional Budget Office estimates that nearly $55 billion of the mortgage interest and property tax deductions or "tax expenditures" (spending through the tax code) in FY2002 will be made for housing assistance to homeowners with annual incomes above $100,000. In comparison, the requested budget for HUD for FY2003, at $31.35 billion, which largely serves households with incomes below $25,000, is substantially less in real terms than was spent two decades ago.[3]

The shortage of affordable rental housing is a complex matter with many dimensions, including the often overlooked but important role that local governments play, too often some say, as part of the problem. There are many statistics available for advocates who argue that more federal assistance is needed. Data from HUD's 1999 American Housing Survey show 4.9 million "worst case" households, those with incomes below 50% of the local area median ("*very-low incomes*") who pay more than 50% of their income for housing or live in substandard housing, but who receive no assistance.[4] These same data showed 44% of *extremely low-income* renters (those with incomes below 30% of the local area median), about 3.75 million households, in the "worst case" category. To put these median incomes into more meaningful perspective, on a national basis, those with very-low incomes would be households with recent incomes below about $21,000. Those with extremely low-incomes had incomes below $13,000.

Those who support more federal efforts to help low-income households with their housing costs generally want either more funds for housing vouchers or more funds to encourage the construction of affordable rental housing, or both. HUD Secretary Martinez says he favors housing vouchers over subsidized housing production to address the affordability issue and does not support another rental housing production program. He points out that there are already government programs that are being used to produce affordable rental housing (the Low Income Housing Tax Credit, tax-exempt bonds, the HOME and HOPE VI programs, and other smaller efforts.)

Yet, the agency does not have a long-term goal of helping more worst-case families with their high housing cost burdens. In fact, some critics of HUD programs say that because there is generally no shortage of rental units available in most communities, the affordability issue is not a housing issue at all, but an income issue. (However, others say that regulations and barriers prevent the private market from increasing the supply of less expensive apartments). They argue that a better way to respond to worse-case renters is through government efforts to help low-income households become more productive, making it possible for them to earn higher incomes. Presumably this would mean they would not need federal rental housing assistance, or not as much of it.

The Administration seems to favor this approach. The FY2003 budget says "....HUD would fail in its mission if families were not moving towards eventual self-sufficiency. An important measure of HUD's success should be the number of families that no longer need to reside in assisted housing because they have moved to safe, decent, and affordable private housing." However, this raises serious

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[3] The HUD budget peaked at $33.5 billion in FY1981 (about $67.6 billion in 2002 dollars) and declined to $14 billion in 1987.

[4] *Report On Worst Case Housing Needs In 1999: New Opportunity Amid Continuing Challenges. Executive Summary*. January 2001. U.S. Department of Housing and Urban Development. Office of Policy Development and Research.

contradictions in federal housing policy since over 32 million homeowners, including 11 million with incomes above $100,000, receive large amounts of housing assistance. Many of these households no longer need housing assistance.

A brief history of federal housing assistance. In the Housing Act of 1949, Congress established a national goal of providing: "a decent home and suitable living environment for every American family." Much progress was made in the next two decades in eliminating substandard housing as many of the nation's worst slums were torn down. But against the backdrop of the inner city riots of the 1960s and the recommendations of the 1967 Douglas Commission, the 1968 Kaiser Committee, and the 1968 Kerner Commission on Civil Disorders, Congress adopted the Housing Act of 1968 which set a specific 10-year goal of building 6 million housing units for low- and moderate-income families.

Federally-subsidized housing production increased from 91,000 in 1967 to 166,000 in 1968; 200,000 in 1969, 430,000 in each of 1970 and 1971, and 339,000 in 1972. During the 4 years from 1968-1972, there was also a total of about 200,000 units rehabilitated with federal subsidies and 2,200,000 mobile homes built, the latter considered an important source of affordable housing for lower-income households.[5]

During the 1970s, attention on housing issues changed from its previous focus on the problem of too many substandard housing units, to the problem of housing being too expensive for lower-income families to afford. In effect, the 1949 Housing Act paved the way for the more elusive goal of making it possible for all families to have a decent *and affordable* home, and a suitable living environment.

The problem of substandard housing has not been entirely eliminated. Data from HUD's just released American Housing Survey for 2001 shows that 706,000 occupied rental units lack some or all plumbing facilities, 157,000 have no hot piped water, 171,000 are without a flush toilet, 235,000 have exposed electrical wiring, 2 million have broken windows, and 598,000 have holes in the floor (there are similar numbers for homeowners). Yet, the quality of the housing built in the past 25 years and the level of amenities provided or required, such as off-street parking, wide sidewalks and roads, air conditioning, landscaping, health and safety standards, requirements for the handicapped, and environmental protections, have so upgraded housing and neighborhoods that many lower income families can not afford it. The policy objective of improving the minimum standard for housing began to conflict with the availability of affordable housing. An increasing number of lower income households must now cope with high housing costs by sharing a single-family home or apartment, sometimes two or three households in a unit meant for one.

During the latter half of the 1970s, HUD began phasing out its involvement in subsidizing new housing construction. By the early 1980s, this withdrawal was nearly complete and the shift towards subsidizing existing units with housing vouchers was well underway.

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[5] U.S. Department of Housing and Urban Development. *Housing in the Seventies*. A Report of the National Housing Policy Review, 1974.

Since the 1980s, there has been no obvious consensus as to what should be done to improve housing opportunities for those with difficulties finding affordable housing. Beginning in 1982, the number of *additional* rental units receiving assistance under HUD dropped sharply. In 1986, Congress replaced a number of existing rental housing tax provisions that were thought to be poorly targeted, with the Low Income Housing Tax Credit program, a tax incentive to encourage developers to build apartments affordable to households with incomes no greater than 60% of the local area median. After a slow start, the number of subsidized units built or rehabilitated averaged about 50,000 to 60,000 a year during most of the 1990s. According to some estimates, there are now as many as one million rental units that have been subsidized under this program. (While this program can help low-income households, it cannot help the poorest of the poor without additional subsidies, such as Section 8 vouchers for the tenants.)

During the 1990s (and continuing), there was also a small number of apartments built or rehabilitated under HUD's Section 202 program for the elderly and under the HOME and Community Development Block Grant programs. But it is also important to remember that during each of the last three decades, hundreds of thousands of older or obsolete rentals (many shabby but affordable), including "trailer parks" in urban areas, and most of the remaining inner-city "single-room-occupancy hotel" units (including many YMCA/YWCA facilities that provided shelter to the near-homeless), were torn down.

After a number of years in which no new housing vouchers were added, Congress appropriated money for 50,000 additional vouchers in FY1999 and 60,000 in FY2000. The Clinton Administration recommended 120,000 additional vouchers for FY2001, with 79,000 approved. The Bush Administration requested 34,000 additional vouchers for FY2002; 25,900 were funded. As noted earlier, HUD is now recommending 33,400 additional vouchers for FY2003. Under H.R. 5605, the House Appropriations Committee bill for FY2003, there would be about 6,000 new vouchers targeted to the non-elderly disabled. Under S. 2797, there would be 15,000 additional vouchers.

Is housing available at an affordable price? With the exception of some cities in the Northeast, West Coast, and a few other places, most areas have an adequate supply of modern apartments. But restrictive zoning, building codes, requirements for the handicapped, health, safety and environmental regulations, and local opposition have made it very difficult to construct basic no-frills rental housing affordable to lower-income households. The smaller apartment units built in the 1940s and 1950s with 500 square feet or less, with no walk-in closets, in-unit washer-dryers, with small kitchens and baths, and with no on-site parking, are much sought after in older cites because of their low rents, but they cannot be built today under current laws. (New HUD data show the average apartment in 2001 had 1,296 square feet.)

A significant number of apartment owners decided not to renew their expiring Section 8 rental contracts as more profitable alternatives presented themselves during the prosperous 1990s, Older apartment buildings, with their lower rents, continue to be torn down or renovated for a more upscale and profitable market. Mobile home parks that provide relatively affordable housing have largely disappeared from most large metropolitan areas.

There is no shortage of reports, studies, and commissions documenting the difficulties that lower-income people have in finding affordable housing. The bipartisan Millennial Housing Commission released its report, *Meeting Our Nation's Housing Challenges* on May 30, 2002. It said "there is simply not enough affordable housing" and recommended a substantial increase in the number of vouchers and substantially increased appropriations for the HOME program. The National Low Income Housing Coalition's research shows that in most major cities and counties, it is highly unlikely that households earning near the minimum wage of $5.15 an hour or even $6, $8, or $10 an hour, can find an affordable apartment. Waiting lists for rental assistance in most major cities are so long that no others are allowed to be added.

The National Housing Conference (NHC) examined recent American Housing Survey data, and concluded that affordable housing problems had moved up the income ladder. Police, teachers, fire fighters, and other public municipal employees have been increasingly cited in the media as having problems affording housing. (Although two-earner families, for example, a police officer and teacher, can often reach securely into the middle-class.) The NHC concluded that simply having a full-time job does not guarantee a family a decent place to live at an affordable cost. Among its findings: "More than 220,000 teachers, police, and public safety officers across the country spend more than half their income for housing, and the problem is growing worse."[6]

Local governments are often reluctant to adopt policy approaches that may attract low-income households, the mentally and physically handicapped, ex-felons, many of the estimated 8 million illegal aliens, and others – partly, some say, because of their negative fiscal impact. Many of these households would pay much less in local taxes than the cost of providing schools, police, fire and rescue, trash collection, and other social services. A few communities (in California) now pay lower-income households to move to another state where there is thought to be better employment opportunities (such as Las Vegas, Nevada).

Many homeowners believe that affordable rental units built near their homes would lower their property values, and resist even minor efforts by local government to increase the supply of low-income housing in their neighborhoods. The result is that very-low-income households or even those not quite so poor, are heavily concentrated in particular neighborhoods, and local officials in these areas often find it necessary to look the other way as many apartments are shared by two or three families in violation of local laws.

Increasing the supply of affordable housing. Housing analysts inside and outside of HUD, elected officials, and others have been debating for decades the

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[6] The Center for Housing Policy (a research affiliate of the National Housing Conference), *Housing America's Working Families*, New Century Housing, Washington, D.C., June 2000. p. 2.

relative advantages and disadvantages of using housing vouchers or subsidizing the construction or rehabilitation of rental buildings. Knowing when each type of assistance is most appropriate requires a knowledge of local housing market conditions. The discussion that follows reviews this on-going debate.

Voucher utilization rates. In the past few years, there has been growing concern that not all of the housing vouchers awarded to local public housing authorities have been put to use. Some households with vouchers have found it difficult or impossible to find an apartment within the time limits allowed. An increasing number of vouchers have been returned unused (although these vouchers are sometimes given to someone else who does succeed in finding appropriate housing). In recent years, arguments have surfaced in Congress that because not all vouchers are used, there is less reason to appropriate funds for more vouchers. As discussed earlier, there has been frustration in the VA-HUD appropriation committees over the amounts of unspent Section 8 voucher funds that have accumulated in reserve accounts.

Both HUD and the appropriation committees are now trying to address the matter of unspent funds by directing new money for vouchers only to public housing authorities with a voucher utilization rate of 97% or greater. Some PHAs who have tried to increase their voucher utilization have had noted success by better informing landlords about the voucher program and encouraging more to participate in it by offering various incentives.[7] Some voucher holders have been provided transportation to assist them with their search, and help with security deposits. Nevertheless, where vacancy rates are very low or rent levels very high, it may have become prohibitively expensive on a per-unit basis for PHAs to try to locate additional units for voucher holders.

Some landlords are unwilling to accept vouchers because they want to avoid the bureaucratic "red tape" of the program, or because they believe, rightly or not, that low-income families will cause problems. A few local governments have recently adopted laws requiring landlords to accept renters with vouchers, although landlords may be able to reject a voucher holder because of bad credit, lack of references, and for other reasons. Reports also continue to show that discrimination in rental housing on the basis of race and against households with children is still common, which makes the use of vouchers more difficult.

Increasing the number receiving assistance by adding vouchers. The HUD Secretary is on record as not being in support of current bills that would create a new national affordable housing trust fund to subsidize the construction of affordable rental housing. He says he instead favors housing vouchers because of the freedom of mobility they offer to low-income renters. In theory at least, a family with a voucher can move out of a poorly maintained building or a dangerous neighborhood and go to a safer one with better schools and more job opportunities. However, the HUD Secretary has not proposed any significant increase in the number of vouchers and, as the above discussion has indicated, his stated goal is to reduce

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[7] Slavin, Peter. Getting Section 8 Programs Leased Up. *Journal of Housing & Community Development*, July/August 2001. Pps. 39-44, 48.

the number of those households needing, or receiving rental assistance. It is not clear how this would be accomplished. He supports helping more lower-income households become homeowners, but some housing analysts doubt the financial ability of households with incomes below a certain (realistic) level to maintain, and benefit from, homeownership. It is unclear what the HUD goals are for many of the "worst case" renters who are unrealistic candidates for homeownership,

At a recent congressional hearing on the FY2003 budget, concern was expressed at the increasing cost of the Section 8 program. As the cost of housing low-income families in Section 8 units increases, either fewer households can be assisted with a level budget or a larger budget is needed just to maintain the same number of assisted units. The proposed $17.5 billion for the Section 8 will account for over half of the total HUD budget. The main reason why Section 8 costs continue to increase rapidly is that market rents have increased significantly. The cost of an average voucher (the government's share of the rent) is now about $500 a month or $6,000 per year. One million additional vouchers would cost $6 billion a year.

Increasing rental housing production. The difficulty of using vouchers in some areas has led to legislative proposals for a new HUD program devoted largely to the development of rental housing for extremely low-income households. Referring to the limited value of vouchers in many tight rental markets, the Senate Appropriations Committee expressed its concerns in 2001 that "families with vouchers often have little choice in their rental decisions, leaving them often in low-income and very low-income neighborhoods and living in substandard housing."

Several bills (H.R. 2349; S. 1248; S. 652) introduced in the 107th Congress seek to influence the production of affordable rental housing, by stimulating construction through a "national trust fund" financed by what some believe to be "excess" reserves in the FHA mortgage insurance premium pool. Another housing bill, H.R. 3995, marked up by the House Financial Services Committee on July 10, 2002, would authorize a new program of matching grants to state and local "housing trust funds," subject to appropriations. Details on these legislative proposals can be found in CRS Report RL30916, *Housing Issues in the 107th Congress*.

Are there other options for funding more affordable rental housing? Some point to the Congressional Budget Office report of February 2001, *Budget Options: Restrict Itemized Deductions, Credits and Exclusions Under the Income Tax*. One of the options identified by CBO to increase federal revenues is: limit the mortgage principal on which interest can be deducted to $300,000. Taxpayers may now deduct interest on up to $1 million of mortgage debt used to buy and improve a first and second home. CBO says that reducing the eligible amount of debt for the mortgage interest deduction from $1 million to $300,000 would trim deductions for 1.2 million taxpayers with large mortgages and increase revenues by $55.8 billion over the 2002-2011 period. Some argue that this would be a less regressive option (the cost would be born by higher-income taxpayers) to fund a rental housing production program for extremely low-income families. Limiting deductions to the interest on not more than $300,000 of mortgage debt would affect high-cost areas such as San Francisco, Los Angeles, New York, and Boston. However, it is probably no coincidence that these are the areas that have some of the lowest rental vacancy rates in the country, and the most severe shortages of affordable rental housing.

Another option for addressing the shortage of affordable rental housing is to encourage more local governments to use "inclusionary zoning," which requires home builders to construct and set-aside a minimum percentage of new units in a specific residential development that are affordable to a lower-income households. (See Inclusionary Zoning: A Viable Solution to the Affordable Housing Crisis? *The Center for Housing Policy*. October 2000, for the pros and cons of this approach and how it has worked in Montgomery County, Maryland.

With the increasing recognition of the impact of restrictions and barriers (inadvertent and deliberate) to increasing the supply of affordable housing at the local level of government has come the view that unless or until local governments accept more responsibility for the problem, little progress will be made. Some analysts believe that metropolitan wide regional housing authorities (similar to existing regional transportation authorities) are needed both because some local jurisdictions are less financially able to address the issue than others, and to assure that all jurisdictions accept a fair share of affordable housing to avoid concentrations of lower-income households.

Table 6. Appropriations: Housing and Urban Development, FY2002-FY2003

(budget authority in billions)

Program	FY2002 Enacted	FY2003 Request	FY2003 H.R. 5605	FY2003 S. 2797	FY2003 Confer.
Housing certificate fund	15.641	17.527	16.587	17.412	–
Appropriation	*11.441*	*13.327*	*12.387*	*13.212*	–
Advance appropriation	*4.200*	*4.200*	*4.200*	*4.200*	–
Sect. 8 recapt. (rescission)	-1.200	-1.100	-1.300	-1.100	–
P.L. 107-206 rescission	-.389				
Public housing capital fund	2.843	2.426	2.843	2.783	–
Public hsng. operating fund	3.495	3.530	3.600	3.530	–
Revitalization of distressed public housing (HOPE VI)	.574	.574	.574	.574	–
Native American housing block grants	.649	.657[a]	.649	.649	–
Indian housing loan guar.	.006	.005	.005	.005	–
Native Hawaiian loan guar.	.001	.001	.001	.001	–
Hsng., persons with AIDS	.277	.292	.292	.292	–
Rural Hsng; Econ. Devel.	.025	.000	.025	.025	–
Empowerment zones; enterprise communities	.045	.000	.030	.030	–
Comm. Develop. Blk.Grant	5.000	4.716	5.000	5.050	–
Comm. Develop. Fund (emergency supplemental)[b]	2.000	.000	.000	.000	–
P.L. 107-206 emerg. suppl.	.783	.000	.000	.000	–

Program	**FY2002 Enacted**	**FY2003 Request**	**FY2003 H.R. 5605**	**FY2003 S. 2797**	**FY2003 Confer.**
Sec.108 loan guar.; subsidy	.015	.007	.007	.015	–
Brownfields redevelop.	.025	.025	.025	.025	–
HOME Invest. Partnerships	1.846	2.084	2.221	1.950	–
P.L. 107-206 rescission	-.050	.000	.000	.000	–
Homeless Assist. Grants	1.123	1.130	1.250	1.215	–
Hsng, special populations	1.024	1.024	1.100	1.034	–
Housing for the elderly	*.783*	*.774*[e]	*.841*	*.783*	–
Housing for the disabled	*.241*	*.251*	*.259*	*.251*	–
Hsg. counseling assistance	.000	.035	.000	.000	–
Rental housing assistance (rescissions)	-.300	-.100	-.100	-.100	
Fed. Housing Admin. (net)[c]	-1.671	-2.207	-2.207	-2.207	–
GNMA (net)[d]	-.373	-.348	-.348	-.348	–
Research and technology	.050	.047	.047	.047	–
Fair housing activities	.046	.046	.046	.046	–
Office, lead hazard control	.110	.126	.126	.201	–
Salaries and expenses	.556	.510	.530	.510	–
Inspector General	.067	.074	.073	.074	–
Working capital fund	.000	.276	.276	.277	–
Rescissions; legislative savings; supplemental	-.025	-.008	-.008	-.008	–
Totals: HUD					
appropriations	*27.165*	*28.357*	*28.554*	*28.991*	–
emerg. supplement.; total	*2.784*	–	–	–	–
rescissions; total	*-1.956*	*-1.208*	*-1.408*	*-1.108*	–
advance appropriations	*4.200*	*4.200*	*4.200*	*4.200*	
Subtotal (HUD); net	**32.193**	**31.349**	**31.346**	**32.083**	–

Source: S.Rept. 107-222; H.Rept. 107-740.

Notes: Rounding may cause discrepancies in subtotals.

[a] Includes $10 million requested for Native Hawaiian housing block grants.

[b] Emergency supplemental for assistance to the City of New York, following terrorist attacks on September 11, 2001.

[c] Net, interagency transfers and offsetting receipts against appropriations of the current year; included in the totals are projected experience gains greater than premiums to the mortgage insurance fund, which are now treated as offsetting receipts against discretionary funds. The effect is estimated to be $-2.323 billion for FY2002, and -$2.753 for FY2003.

[d] Net, interagency transfers and offsetting receipts against appropriations of the current year.

[e] In addition, the account would be given authority to spend $9.7 million in unobligated funds recaptured from previous years.

Public and Indian Housing Programs

Housing Certificate Fund. The Housing Certificate Fund (HCF) is the major disbursing mechanism through which HUD provides funding to local entities responsible for administering project-based housing programs and direct low-income rental housing subsidies (vouchers). The Administration is requesting $17.5 billion for the Housing Certificate Fund in FY2003. According to Administration estimates, this amount includes a direct appropriation of $16.9 billion plus a carry-over of $640 million in Section 8 reserve funds from previous years, for a total increase of nearly $2.0 billion over the FY2002 funding level of $15.6 billion.

The House bill, H.R.5605, recommends a total program spending level of $18.4 billion for the Housing Certificate fund in FY2003, including $16.6 billion in direct appropriations and $1.8 billion from the carryover of unobligated balances in reserve accounts. This amount of direct appropriation is approximately a $900 million increase over the FY2002 funding, but $900 million less that requested by the Administration for FY2003. However, when the amount from recaptures is added to the funding, the total House recommendation for this fund ($18.4 billion) is actually $900 million more than the Administration's request.

The Senate bill, S.2797, recommends an appropriation of $17.4 billion for the Housing Certificate Fund in FY2003, approximately $100 million less than the Administration's request. The difference in the amount between the Administration's request and the Senate's recommended funding is found primarily in the suggested funding for incremental vouchers in FY2003.

Section 8 Expiring Contract Renewals. The HCF finances provisions of Section 8 of the Housing Act of 1937 (as amended). Broadly referred to as Section 8 programs, these HUD programs subsidize rental housing for low-income families, using several avenues for administering such assistance. Approximately 3 million families will be assisted under Section 8 in FY2003. The largest portion of the Administration's request is $16.9 billion in new budget authority for funds to renew expiring Section 8 rental contracts in FY2003. This amount will be used for the renewal of approximately 817,000 project-based units and 2.1 million tenant-based units in FY2003.

In addition to these contract renewals, $52 million of the $16.9 billion appropriated under this heading will be used to fund Family Self-Sufficiency Coordinators for a renewal term of 1 year.

The House Appropriations Committee has expressed concern over the last five years that an increasing amount of the Committee's discretionary resources have been used to fund the Section 8 voucher renewal program even though some public housing agencies (PHAs) have shown an inability to use the funds provided. The Committee is aware that HUD is completing a study which should help identify the causes of the under-utilization problem, and in this bill HUD is directed to provide the Committee with a copy of the study by January 8, 2003. The Committee has continued to budget for the Section 8 voucher program assuming that the utilization rate of these vouchers would improve, but after five years, the Committee has seen no significant improvement in the use of these funds. In fact, the House Appropriations Committee reports that by FY2001, 13% of the funds were unspent and only 84% of intended families received assistance. The Committee strongly believes that it can no longer budget increases in the Section 8 voucher renewal program each year when it is clear that portions of this fund is going unspent.

The House Committee recommends funding for the Section 8 voucher program in FY2003 in a manner which it believes more closely reflects the ability of PHAs to fully utilize the funding provided. Based on this reasoning, the House Committee recommends a funding of $14.615 billion for Section 8 contract renewals in FY2003. Of this amount, $10.278 billion is to be used for the renewal of Section 8 tenant-based vouchers and moderate rehabilitation renewals (including Moving-to-Work vouchers), and the remaining $4.337 billion is to be used for the renewals of project-based contracts. The House Appropriations Committee reached its decision on this funding amount based on the total amount necessary to renew all housing units currently leased, as reported by PHAs on their most recent financial statements.

The House Committee also assumes the use of Section 8 program reserves (currently totaling $938 million) by PHAs to cover the renewal costs of any additional vouchers not reflected on their most recent financial statements. Should the amount in a PHA's reserve be inadequate to cover these additional voucher renewals, a new central reserve fund is authorized in this bill which would provide funding to such PHAs through allocations made by the Secretary of HUD. The House Appropriations Committee is also recommending an additional funding of $280 million for the central reserve fund. (This central reserve fund is further discussed in another section of this report).

In addition, the House bill, H.R.5605, provides for a funding of $46 million for Family Self-Sufficiency Coordinators. This is a separate funding, and is not a part of funding under contract renewals.

The Senate bill, S. 2797, appropriates $17.4 billion for Section 8 contract renewals in FY2003. This amount would also cover the costs of enhanced vouchers for families that continue to live in multifamily housing that is undergoing a refinancing of the mortgage or where owners have chosen to opt-out of the Section 8 program. There is no mention in the Senate bill of funding for Family Self-Sufficiency Coordinators.

Section 8 Central Reserve Fund. The House Appropriations Committee bill, H.R.5605, provides $280 million in funding for a Section 8 central reserve fund to be allocated by the Secretary of HUD to PHAs requiring additional funds beyond amounts available to them through appropriations. However, the House Committee expects PHAs to utilize their available program reserves (estimated by the Committee to total approximately $938 million) to the extent possible to cover any additional renewal costs prior to requesting funds from the central reserve fund.

Amounts received from the central reserve fund may be used by PHAs to renew vouchers for units not reflected in their annual financial statements. Funding from the central reserve fund may only be used for rental subsidy costs and the replenishment of Section 8 program reserves. Funds may not be used for administrative costs associated with the Section 8 program (funding for administrative costs is provided in another part of this bill).

The Secretary may also use funds from this account to provide PHAs having a 97% utilization rate with additional assistance for Section 8 vouchers, if the PHA can demonstrate that the funds could be used for an assistance payment contract within 90 days of their being received. If additional funds are given to a PHA and additional vouchers are not put under lease within 180 days, the Secretary would recapture the unused vouchers for reallocation to other eligible PHAs. Language in the bill limits the additional voucher assistance provided to an individual PHA to not more than 10% of the total funds available.

The Secretary of HUD is directed in this bill to provide quarterly reports to the House Appropriations Committee on the use of this central reserve fund. The first report is due to be received no later than January 31, 2003.

Section 8 Incremental Vouchers. The President's budget request includes $204 million to fund approximately 34,000 incremental vouchers in FY2003. These vouchers will be provided to PHAs that have demonstrated their ability to use their existing vouchers (having a utilization rate of at least 97%). Of the requested amount for incremental vouchers, $164 million is targeted for specific use vouchers such as assistance for homeless veterans, assistance for families on the road to self-sufficiency and as downpayment assistance for homeownership. The Bush Administration strongly supports the use of Section 8 vouchers as downpayment assistance for homeownership by low-income families, and encourages PHAs to strengthen their ability to assist such families in becoming homeowners.

The President's budget request also earmarks $6 million of the $164 million for incremental vouchers to fund 1,000 vouchers to be used for persons with mental disabilities to assist states in meeting a federal court requirement that mentally disabled individuals be housed in community settings with services whenever possible.

The remaining $40 million is to be used to provide rental vouchers for non-elderly disabled individuals who are now residing in public housing projects that have been designated for occupancy by the elderly. The amount is expected to fund approximately 6,000 vouchers which will help integrate them into mainstream privately-owned housing.

The House bill, H.R.5605, provides $36 million for incremental rental vouchers to be used for non-elderly disabled individuals who are now residing in public housing projects that are being designated as "elderly only" developments. The House Committee believes that the Section 8 vouchers are necessary to integrate disabled individuals into the community. These are the only incremental units funded in the House bill.

The Senate Committee did not provide the Administration's request for 34,000 additional vouchers because it has ongoing concerns about the effectiveness of the tenant-based voucher program, and it urges HUD to make voucher reform a top priority. Instead, the Senate Appropriations Committee's bill recommends $90 million to fund approximately 15,000 incremental vouchers in FY2003. This amount is to provide $40 million for Section 8 tenant-based rental vouchers for disabled families; $20 million for welfare-to-work vouchers in order to facilitate the transition of working people off of income subsidies; and the remaining $30 million is to be made available for incremental vouchers on a fair share basis to public housing authorities that have no less than a 97% occupancy rate.

Tenant Protection Vouchers. The President's budget requests $260 million for tenant protection vouchers in FY2003. HUD estimates that this amount would finance approximately 43,000 vouchers for individuals who are currently receiving rental assistance, but who are in danger of losing the subsidy because their units are being demolished, the owner of their development is "opting out" of the program, or for some other reason.

The House bill. H.R.5605, provides $234 million for tenant protection vouchers. Funds provided under this account may only be used for rental subsidies and not for administrative expenses associated with the vouchers. These vouchers are to be used to replace project-based assistance with tenant-based assistance; for the conversion of Section 202 and Section 23 projects to Section 8 assistance; and for the family unification and witness protection program. The tenant protection vouchers are not to be used to provide vouchers under the HOPE VI program. Funds for this purpose is provided within the HOPE VI account.

The Senate Appropriations Committee does not designate a specific amount for tenant protection in its bill, but includes it in funding for enhanced vouchers which is provided by appropriations for contract renewals.

Section 8 Administrative Costs. The Administration's budget request also provides $196 million for Section 8 contract administration. These contract administration funds would be provided to the many state and local housing agencies that act as HUD's agent in administering the Section 8 project-based program. These agencies are responsible for the oversight of the physical and financial condition of projects funded under nearly 20,000 contracts between HUD and individual project owners. Funding to cover administrative costs for the Section 8 tenant-based voucher program is included within the amount provided for contract renewals.

The House bill, H.R.5605, provides $196 million for administrative costs associated with the Section 8 project-based program and $1.177 billion for administrative costs associated with the Section 8 tenant-based voucher program. The bill also states that $50 million of the funding provided for administrative costs of the Section 8 voucher program is be used for expenses associated with tenant-based assistance related to incremental vouchers for the disabled, new tenant protection vouchers, and additional administrative costs associated with renewals funded from the newly established central reserve fund.

For the last several years the House Appropriations Committee has attempted to limit the increase in administrative costs and other expenses of the Section 8 tenant-based voucher program by including a limitation in the appropriations bill, but administrative costs have continued to rise and now account for approximately 10 % of the total cost of the Section 8 voucher program. H.Rept. 107-740 states that appropriate funding must be available to PHAs so that they can effectively carry out the Section 8 voucher program, but it is concerned that large amounts of unspent funds appropriated for administrative costs to the Section 8 program are being put in PHA reserve accounts where they may be used for purposes completely unrelated to Section 8.

Table 7 shows the Administration's request for FY2003 funding for the Housing Certificate Fund, using the Administration's estimates, and estimates from the Senate Appropriations Committee.

Table 7. Requested Spending for the Housing Certificate Fund (HCF), Administration and Congressional Estimates, FY2003

($ in billions)

HCF Programs	FY2003 request (HUD est.)	FY2003 request (Cong. est.)	FY2003 H.R. 5605	FY2003 S. 2797	FY2003 Confer.
Spending Authority: Housing Certificate Fund	**17.527**	**17.527**	**18.355**	**17.412**	–
FY2003 Appropriations	*12.687*	*13.327*	*12.387*	*13.212*	–
advance appropriations from previous fiscal years	*4.200*	*4.200*	*4.200*	*4.200*	–
unobligated balances from administrative fee reserves	–	–	*.830*	–	–
carry-over, reserve funds from previous fiscal years	*.640*	–	*.938*	–	–
Housing Certificate Fund:	17.527	17.527	18.355	17.412	–
Expiring Sec. 8 Contracts	*16.864*	–	*15.553*[a]	*17.123*	–
FFS Co-ordinators	*(.052)*	–	*.046*	–	–
Central reserve fund	–	–	*.280*	–	–
Incremental Vouchers	*.204*	–	–	*.090*	–
Fair-share	*(.158)*	–	–	*(.030*	–
Olmstead Decision	*(.006)*	–	–	–	–
Welfare-to-work	–	–	–	*(.020)*	
Non-Elderly Disabled	*(.040)*	–	*.036*	*(.040)*	–
Tenant Protection	*.260*	–	*.234*	*.000*[b]	–
Contract Administration	*.196*	–	*2.203*[c]	*.196*	–
Working capital fund	*.003*	–	*.003*	*.003*	–

Source: Fiscal Year 2003 Budget Summary, Department of Housing and Urban Development; H.Rept. 107-740; S.Rept. 107-222.

[a] This amount includes $14.615 billion in direct appropriations and $938 million in unobligated funds carried over from previous years.

[b] Tenant protection is provided under enhanced vouchers, a cost covered in contract renewals in the Senate bill.

[c] This amount includes a direct appropriation of $1.373 billion and $830 million in unobligated funds carried over from previous years.

Note: Italics indicate spending authority subsumed under line item above; parentheses indicate spending authority subsumed under subobject of a line item.

Unspent balances available for use by PHAs in these administrative reserves now total over $830 million. For this reason, the Committee has also included language in this bill which limits administrative fees and other expenses associated with the Section 8 voucher program to no more than 10% of the rental subsidy paid, and also restricts the use of funds in the reserve to activities related to the provision of rental assistance under the Section 8 program. The Committee has also included language in the bill requiring HUD to provide a report to the House Appropriations Committee no later than March 1, 2003 on the administrative costs and other expenses associated with the Section 8 program.

The Senate bill also provides $196 million for Section 8 project-based contract administration. Funding to cover the administrative costs of the Section 8 voucher program is included within the amount provided for contract renewals.

Rescissions. The Administration's request assumed a rescission of $1.1 billion from the Section 8 fund in FY2003. The House Committee recommends a rescission of $1.3 billion.

Public housing programs. There are about 3,050 public housing authorities (PHAs) that manage 1.25 million public housing units across the nation. Public housing has a history of public skepticism regarding its effectiveness; many envision public housing as mismanaged, dilapidated projects housing very poor single-parent households with few marketable skills and youth gangs characterized by high crime rates and drug use. This perception of public housing has been accurate for a small number of the largest inner city projects where the worst problems have been concentrated; however, many projects are well run and in relatively good condition.

Legislation passed during the past half dozen years has begun to target problems in the worst public housing sites. The HOPE VI program has been somewhat successful in achieving its goal of tearing down the worst 100,000 units, largely high-rise complexes in inner city areas, and replacing them with lower density garden apartments and townhouses (see HOPE VI below). Recent legislation has also made it easier to evict those involved in criminal activity under the "one-strike-and-you're-out" rule (Anti-Drug Abuse Act of 1988). On March 26, 2002, the Supreme Court (HUD v. Rucker), unanimously upheld the one-strike rule, affirming that a PHA can evict a tenant who may have no knowledge of drug-related activities committed by another occupant or guest of the housing unit on or off the public housing premises.

Public Housing Operating Fund. HUD has requested $3.53 billion for the FY2003 Public Housing Operating Fund, $35 million more than the $3.495 billion enacted for FY2002. The Public Housing Operating Fund provides operating subsidies for 3,050 local Public Housing Authorities (PHAs). These subsidies, which cover a variety of expenses including maintenance, utilities and tenant and protective services, enable PHAs to keep rents affordable for low-income families in 1.2 million units.

The House Appropriations Committee approved $3.6 billion for the FY2003 Public Housing Operating Fund. The bill, passed on October 10, 2002, provides $70 million above the Administration's request, $10 million of which is to be transferred to the Department of Justice to supplement Federal, State and local efforts to fight crime and drugs in public housing. The committee notes in their report that money from the operating fund can be used to fund anti-drug and anti-crime activities identical to those funded in the Public Housing Drug Elimination Program, a program which has expired.

The Senate Appropriations Committee agreed with the HUD budget request and approved $3.53 billion for the FY2003 Public Housing Operating Fund, equal to the administration's request.

A note about calculating operating subsidies. The Quality Housing and Work Responsibility Act of 1998 directed HUD to develop a new formula for allocating operating funds to the Public Housing Authorities. However, developing this new formula is proving difficult and controversial. An interim formula-based approach for allocating operating funds was implemented in FY2001 following regulatory negotiations as required by the 1998 Act. The current formula takes into account size, location, age of housing stock, occupancy and other factors intended to reflect the cost of operating a well-managed public housing development. HUD hopes to complete action on a permanent formula in FY2003.

Public Housing Capital Fund. The HUD budget for FY2003 proposes to cut the capital fund by $417 million, from $2.843 billion in FY2002 to $2.426 billion. This fund provides annual formula grants to PHAs for capital and management activities including modernization and development of public housing. HUD estimates that capital needs accrue at $2.2 billion annually, however, there is also an estimated $20 billion backlog of rehabilitation and modernization needs faced by Public Housing Authorities. The rehabilitation of this housing is important to help ensure that these developments are not unsafe for residents and do not become so obsolete that they must be demolished.

The justification for this cut in the face of a large backlog is the introduction of what the Administration terms, the Public Housing Investment and Financial Reform Initiative. This proposal would allow up to $120 million of public housing capital funds and $130 million of operating funds to be used to convert some public housing units to Section 8 project-based assistance. On a property-by-property basis, HUD would consider requests from Public Housing Authorities to participate in this initiative. HUD proposes that this change would allow PHAs to secure private financing to rehabilitate or replace aging properties by pledging project-based revenue (Section 8 rents are often higher than public housing rents) as collateral for private loans for capital improvements. The agency believes that lenders will view the stream of Section 8 renewals as more predictable than capital fund appropriations, therefore making PHAs seem more credit-worthy. The Administration hopes that at least some of the proposed cut of $417 million in capital funding can be replaced by private sector loans.

Some housing organizations have already expressed concern about this proposed experiment, asking that HUD wait for evidence on how well this new idea might work before cutting capital funds. In response to this concern, HUD Secretary Martinez told the Senate Banking Committee on February 13, 2002 that if this program does not generate at least $400 million worth of capital improvements, HUD will seek to restore the reduction of capital funds to the previous year's level in FY2004.

The House Appropriations Committee bill funds the Public Housing Capital Fund at the FY 2002 appropriation level, $2.843 billion, an increase of over $400 million above the Administration's request. The Committee chose not to authorize the Administration's Public Housing Reinvestment Initiative. Instead, they chose to require the Department to submit a report to the Committee by March 1, 2003 on those PHAs that have entered into private financing partnerships for capital modernization and the results of those partnerships.

Further, the House Appropriation Committee's bill includes language requiring the Secretary to issue regulations required under the Quality Housing and Work Reconciliation Act of 1998 by May 1, 2003. These regulations would provide procedures for recapturing funds from PHAs who have been unable to obligate their funds within 24 months or spend them within 48, and would reallocate them to PHAs who have demonstrated an ability to spend funds in a timely manner.

The Senate Appropriation Committee's FY2003 HUD appropriation bill funds the Public Housing Capital Fund at $2.783 billion, which is more than $350 million above the Administration's request. While the Committee rejects the Administration's proposal to reduce capital funds and to allow public housing units to be converted to project-based Section 8 units, the Committee agrees with the Administration's assertion that PHAs should have the ability to leverage private funds. As a result, the Committee includes a provision that would allow Public Housing Authorities to use public housing capital and operating funds to leverage private funds for the modernization and rehabilitation of on- or off-site public housing.

HOPE VI Revitalization of Distressed Public Housing. As noted above, HUD is transforming public housing through the use of HOPE VI grants by rehabilitating or demolishing severely distressed public housing units and replacing them with low-density, garden-style apartments or townhouses. Since the inception of the HOPE VI program, HUD has approved the demolition of approximately 140,000 units. Rather than filling new units with only the poorest of the poor, as had usually been the case with public housing, the new housing has a more mixed-income tenancy – the poor, the not quite so poor, and some moderate-income households – in an effort to change the culture and eliminate the stigma of Public Housing.

The Administration is requesting $574 million for HOPE VI grants in FY2003, the same amount enacted for FY2002. Of this total, $5 million is designated for the Neighborhood Networks Initiative. Under this initiative, competitive grants are awarded to Public Housing Authorities for the establishment and initial operations of computer centers to increase resident self-sufficiency, employability, and economic self-reliance. Authority for the HOPE VI program ended on September 30, 2002. An omnibus housing bill, H.R. 3995, passed by the Financial Services Committee on July 10, 2002, would reauthorize the program through FY2004.

The House Appropriations Committee recommends an appropriation of $574 million for the HOPE VI program in FY2003, the same level as enacted in FY2002, and as requested by the Administration. The Committee also designates $5 million of this amount for the Neighborhood Networks Initiative. The House bill does not include explicit reauthorization language.

The Senate Appropriations Committee also recommends an appropriation of $574 million for the HOPE IV program in FY 2003, including $5 million for the Neighborhood Networks Initiative. The Senate bill contains language to reauthorize the program through September 20, 2003.

Native American Block Grants. This block grant provides tribes or tribally designated housing entities with a flexible source of funding for affordable housing and related activities. As provided in the Native American Housing Assistance and Self-Determination Act, block grant funds may be used for a wide range of homeownership and rental activities. The Administration's FY2003 budget requests $647 million, plus a separate line account of $10 million for a Native Hawaiian housing block grant. Both the House and Senate Appropriations Committees recommends $649 million, the same as enacted in FY2002, about $2 million more than the budget request. Neither Committee recommends a separate account for a Native Hawaiian housing block grant, but instead, continued funding for this program under the Community Development Fund (See Table 9). With unemployment that often exceeds 80% in many Indian and Native communities, the Senate Committee directs HUD and its grantees to give primary consideration to qualified Native owned firms in the design and construction of Indian housing.

Community Planning and Development

Housing for Persons with AIDS (HOPWA). President Bush requested $292 million for HOPWA for FY2003, up $15 million from the $277 million enacted in FY2002. Both the House and Senate Appropriations Committees concur with this $15 million increase. HOPWA provides housing assistance and related supportive services for low-income persons with HIV/AIDS and their families. Funding is distributed both by formula allocation and competitive grants to states, localities and nonprofit organizations. HOPWA funds may be used for housing information services, resource identification to establish and coordinate housing assistance resources, to acquire, rehabilitate or lease housing and services, to construct single room occupancy dwelling and community residences, for rental assistance and for short term rent. Funds may also be used for mortgage or utility payments to prevent homelessness of a tenant or mortgagor and for supportive services including health, mental health, drug and alcohol abuse treatment and counseling, day care, nutritional services and assistance in gaining access to local, state and federal government benefits.

In an evaluation released by HUD in December 2000, it was reported that the HOPWA program predominately serves extremely low-income (54%) and very low-income (27%) persons living with HIV/AIDS, and that in 1999 the HOPWA program was providing housing assistance to approximately 49,000 low-income persons living with HIV or AIDS. This is approximately one-sixth of the estimated 311,701 persons living with AIDS in the United States as of June, 2000 as reported by the Centers for Disease Control and Prevention (CDC). The CDC reported that through June 2001, the number of HIV infections reported in states with confidential HIV reporting (34 states and two territories) was 134,505 for a cumulative total of 466,023 persons identified as being HIV positive or of having AIDS. Since many states are not yet reporting on HIV, the CDC estimates that 800,000 to 900,000 Americans are actually living with HIV or AIDS.

For more information on HOPWA, see CRS Report RS20704, *Housing Opportunities for Persons with AIDS (HOPWA)* by M. Ann Wolfe.

Rural Housing and Economic Development. The FY1999 HUD Appropriations Act (P.L. 105-276) established within HUD an Office of Rural Housing and Economic Development to support housing and economic development in rural areas. It received $25 million in both FY2001 and FY2002. The Administration is not requesting funds for this program for FY2003 (nor did it ask for funds for FY2002), arguing that many of the agency's core programs, such as CDBG, already serve rural communities, and because other Departments like the U.S. Department of Agriculture have very large and effective programs already in place to address rural housing and economic development issues. Last year, the House agreed with the Administration and did not include any funds for this office. The Senate recommended $25 million and the conferees approved $25 million. However, both the House and Senate Appropriations Committees are recommending $25 million for FY2003, believing that this housing program is sufficiently different from Department of Agriculture programs to merit separate appropriations.

Empowerment Zones and Enterprise Communities. This initiative is an interagency effort to promote economic development and community revitalization in distressed areas, by directing tax relief and federal funds to designated Empowerment Zones (EZs) and Enterprise Communities (ECs). EZs and ECs are eligible for a variety of tax credits and other incentives intended to stimulate investment, economic growth, and revitalization activities. Grants are used for activities that assist residents and businesses, including workforce preparation and job creation efforts linked to welfare reform; neighborhood development; support for financing capital projects; financing of projects in conjunction with Section 108 loans or other economic development projects. Funds are also used for rental assistance and other housing assistance.

To date, there have been three rounds of EZ/EC designations. In the first round, nine communities (six urban and three rural) were designated as Empowerment Zones and 95 communities were named as Enterprise Communities. Twenty new Empowerment Zones – 15 urban and 5 rural – were designated in the Round II competition, along with 20 new Enterprise Communities, all rural. The 2000 Community Renewal Tax Relief Act authorized the designation of 40 renewal communities (28 urban and 12 rural) and nine new Round III Empowerment Zones (seven urban, two rural) designated on December 21, 2001, which utilize only tax incentive provisions.

In FY2002, $45 million was approved for urban EZs - $3 million each for the 15 Round II zones designated by HUD. The Administration's FY2003 budget proposes no funding for Round II Empowerment Zones because after 4 years of funding, major balances of unused funds have been built up. To help develop the economies of distressed urban and rural areas, HUD has recently designated 40

Renewal Communities (RZs) and seven additional Round II urban Empowerment Zones. Private investors in both RZ and EZ areas are eligible for tax benefits over the next 10 years tied to the expansion of job opportunities in these locations.

The Senate Committee recommends an appropriation of $30 million for this program for FY2003, $15 million less than enacted for FY2002 and $30 million more than the budget request. These funds are to be distributed. to the 15 communities that received a second round EZ designation. The Committee urges the Senate Finance Committee to fund this program as mandatory rather than an obligation of this bill. The Committee also remains concerned over accountability in this program and notes that the HUD Inspector General has been critical about how communities have implemented this program and used EZ funds. The House bill, H.R. 5605, also recommends $30 million in discretionary funding for the 15 urban empowerment zones designated by HUD in Round II competition.

Community Development Block Grants. The Bush Administration's FY2003 budget proposes $4.716 billion for CDBG, including $279.5 million for program set-asides, and $4.436 billion in formula-based grants to entitlement communities, states, and insular areas. The Administration's budget request would increase the formula-based portion of the program by $95 million for FY2003 and it would convert Section 107 funding for insular areas into a formula-based allocation. The Senate Committee recommends an appropriation of $5.05 billion for FY2003, an increase of $317.5 million above the budget request and $50 million more than enacted for FY2002. The Committee has included $4.610 billion for formula-based Community Development Block Grants.

The House version of the bill, H.R. 5605, recommends an appropriations of $5 billion, an increase of $284.5 million more than requested by the President, but no increase above the amount appropriated for FY2002. The House bill would increase the amount appropriated to the formula grant portion of the CDBG program by $236 million, from $4,.341 billion to $4.577 billion. The Senate bill would also increase Senate funding for CDBG formula grants by $269.2 million above the $4.341 billion appropriated for FY2002.

The Administration requested approval for its new Colonias Gateway Initiative. This regional initiative would target additional CDBG assistance to communities in Texas, New Mexico, Arizona, and California within 150 miles of the border with Mexico. Funds would be used for housing, infrastructure, and economic development projects in these distressed areas. The Administration initially proposed funding this $16 million initiative with the savings achieved from a proposed legislative change that would reduce funding for CDBG entitlement communities with per capita incomes that are twice the national average or higher.

Currently, HUD estimates that there are 13 communities with per capita incomes that meet or exceed the proposed threshold, although this could change as figures from the 2000 Census become available (see **Table 8)**. The Senate Committee rejects the Administration's request for the Colonias Initiative, but encourages HUD to seek authorization of legislation required for this proposal and to perform a thorough review of the CDBG formula before proposing adjustments. The House bill, which did not include funding for the proposal, includes similar language, noting in the report accompanying the bill (H.Rept. 107-740), that "this initiative is not currently authorized and the Department has not yet transmitted its proposal to the Congress for consideration."

Table 8. Community Development Block Grants (CDBG): Entitlement Communities with Per Capita Income At Least Twice the National Average

Community	Per capita income as a multiple of the national average
Newport Beach, California	*3.2*
Palo Alto, California	*2.3*
Santa Monica, California	*2.0*
Colorado Springs, Colorado	*3.1*
Greenwich, Connecticut	*3.2*
Naples, Florida	*2.9*
Brookline, Massachusetts	*2.0*
Malden, Massachusetts	*2.2*
Newton, Massachusetts	*2.0*
Westchester County, New York	*2.1*
Lower Merion, Pennsylvania	*2.9*
Penn Hills, Pennsylvania	*2.8*
Virginia Beach, Virginia	*2.6*

Source: HUD Budget Submission, FY2003

The CDBG is the largest source of federal financial assistance in support of housing, neighborhood revitalization, and community and economic development efforts of state and local governments. After funds are allocated for the various set asides under CDBG, 70% of the remaining appropriated funds are allocated by formula to entitlement communities. These include metropolitan cities with populations of 50,000 or more, central cities, and urban counties. Currently, 1,023 communities (865 cities and 158 urban counties) meet the definition of entitlement community. The remaining 30% of appropriated funds are allocated by formula to states for distribution to nonentitlement communities.

These and other Community Development initiatives are to be offset by eliminating funding for two community development fund-related set asides, notably, the Neighborhood Initiative, which received $42 million for FY2002, and the Economic Development Initiative, which received $294 million in FY2002. In past years the Economic Development Initiative (EDI) has routinely been used by Members of Congress to earmark funding specific projects. Entitlement communities, states, and previous Administrations have objected to these earmarks on the grounds that they are noncompetitive, and reduce the amount of funds available under the core CDBG program for distribution to entitlement communities and states.

Table 9. Community Development Block Grants, FY2002-FY2003

(funding in millions)

Programs and set-asides	FY2002 enacted	FY2003 request	FY2003 H.R. 5605	FY2003 S. 2797	FY2003 Confer.
Subtotals:					
set-asides (see below for details)	*659.0*	*279.5*	*423.0*	*439.8*	–
formula-based (entitlement communities	*3,038.7*	*3,100.3*[a]	*3203.9*	*3,227.1*	–
insular areas	–	*7.0*	–	–	–
formula-based state allocation	*1,302.3*	*1,328.7*	*1373.1*	*1,383.1*	–
Set-asides:					
Indian Tribes	*70.0*	*72.5*	*70.0*	*72.5*	–
Econ. Develop. Access Center	*(1.0)*	*(1.5)*	–	–	–
Housing Assistance Council	*3.3*	*3.0*	*3.3*	*3.3*	–
National American Indian Housing Council	*2.6*	*2.2*	*2.2*	*2.6*	–
Nat'l Council of La Raza HOPE	*5.0*	*0.0*	*5.0*	–	–
technical assistance	*(0.5)*	*0.0*	*0.5*	–	–
HOPE Fund; other activities	*(4.5)*	*0.0*	*4.5*	–	–
Section 107	*45.3*	*38.9*	*33.5*	*45.5*	–
technical assistance	–	*(3.0)*	–	*0.0*	–
insular areas	*(7.0)*	*0.0*[b]	*(7.0)*	*(7.0)*	–
university programs	*(34.3)*	*(31.9)*	*(26.0)*	*(28.5)*	–
Historically Black Colleges and Universities	*(10.0)*	*(10.0)*	*(10.5)*	*(11.0)*	–
Hispanic Serving Institutions	*(6.5)*	*(5.5)*	*(5.5)*	*(7.5)*	–
Community Dev. Work Study	*(3.0)*	*(3.0)*	*(3.0)*	*(3.0)*	–
Alaskan Native and Native Hawaiian Serving Institutions	*(4.0)*	*(2.4)*	–	*(4.0)*	–
Tribal Colleges and Univ.	*(3.0)*	*(3.0)*	–	*(3.0)*	–
Comm. Outreach Partnership Centers	*(7.9)*	*(8.0)*	*(7.5)*	–	–
management info. systems	*(4.0)*	*(4.0)*	–	–	–
Hawaiian Homelands	*9.6*	*0.0*	*9.6*	*(10.0)*[c]	–
Girl Scouts of the USA	–	–	–	*2.0*	–
Boys & Girls Clubs of America	–	–	–	*2.0*	–
Community Technology Center	*0.0*	*0.0*	–	–	–
Improving Access Initiative	*0.0*	*0.0*	–	–	–
Self-Help Housing Opportunity	*22.0*	*65.0*	*28.5*	*22.0*	–

Programs and set-asides	FY2002 enacted	FY2003 request	FY2003 H.R. 5605	FY2003 S. 2797	FY2003 Confer.
National Housing Dev. Corp.	*5.0*	*0.0*	*5.0*	–	–
operating expenses	*(2.0)*	*0.0*	*(2.0)*	–	–
Capacity Build. for Community Develop. & Affordable Housing	*29.0*[d]	*29.5*[d]	*29.5*	*35.5*	–
National Com. Dev. Initiative	*(25.0)*[e]	*(25.0)*[e]	*(25.0)*[e]	*(31.5)*[e]	–
Habitat for Humanity	*(4.0)*	*(4.5)*	*(4.5)*	*(4.0)*	–
Resident Opportunities and Self Sufficiency (supportive services)	*55.0*	*0.0*[f]	–	–	–
Neigh. Initiative Demonstration	*42.0*	*0.0*	*23.4*	*46.0*[g]	–
Working Capital Fund for the development of info. tech. systems	*13.8*	*3.4*	*3.4*	*3.4*	–
Youthbuild	*65.0*	*65.0*	*65.0*	*65.0*	–
- in rural and underserved areas	*(10.0)*	*(10.0)*	*(10.0)*	*(10.0)*	–
-USA capacity bldg.	*(2.0)*	*(2.0)*	*(2.0)*	*(2.0)*	–
Economic Develop. Initiative:	*294.2*	*0.0*	*144.6*	*140.0*	–
Total: CDBG	**5,000.0**	**4,715.5**	**5,000.0**	**5,050.0**	**–**

Source: Dept. of Housing and Urban Development; S.Rept. 107-222; H.Rept. 107-740.
Note: Totals may not add due to rounding. Italics indicates entries subsumed under CDBG line in **Table 6**; parenthesis indicates entry subsumed in this table under line immediately above.

[a] The Administration's $16 million *Colonias* Gateway Initiative is included in this amount since it would be funded by a formula change for CDBG entitlement communities.
[b] Insular areas would be included in formula portion of the CDBG program and would not be included as a set aside under Section 107 (Special Purpose Grants).
[c] The Senate Committee recommends this be funded as part of the Section 107 account; the Administration had recommended it be funded as a separate account.
[d] FY2002 appropriations included $5 million for rural and tribal areas. The Administration's FY2003 budget also recommends $5 million for rural and tribal areas.
[e] Includes funding for the Enterprise Foundation and the Local Initiative Support Corporation in support of local community development corporations.
[f] Appropriations for this program would be transferred to Public Housing Capital Fund. The Administration is requesting $55 million.
[g] Includes two earmarks: $1 million grant to National Housing Trust/Enterprise Preservation Corp., and $5 million to the Housing Partnership Network.

For FY2002, $294 million in EDI assistance was earmarked for more than 300 specific projects identified in the conference report (H.Rept. 107-272) accompanying the VA-HUD-Independent Agencies Appropriations Act for FY2002, P.L. 107-73. The Neighborhood Initiative supports projects intended to stimulate economic diversification and investment in areas experiencing population out-migration, improve conditions in blighted and distressed neighborhoods, or facilitate the integration of housing assistance with welfare reform initiatives. For FY2002, Congress appropriated $42 million for the program with all of the funds earmarked for specific projects identified in the conference report. Congress also provided $2.7 billion in CDBG assistance to New York City to assist in post-September 11, 2001 recovery efforts.

Set-asides recommended by the Senate Committee for FY2003 include the following: $72.5 million for Native Americans; $35.5 million for the National Community Development Initiative; $45.5 million for section 107 grants; and $140 million for Economic Development Initiatives. The House bill includes $144 million in EDI earmarks for 591 projects listed in the report (H.Rept. 107-740) accompanying H.R. 5605. The bill also includes $23.4 million for the Neighborhood Initiatives program earmarked for 16 specific projects identified in the accompanying report. Additional set asides included in the House bill are $28.5 million for university- based community development programs, $65 million for Youthbuild, $29 million for community development capacity building activities administered by the Local Initiative Support Corporation, the Enterprise Foundation, and Habitat for Humanity.

Brownfields Redevelopment. The Administration requests $25 million for brownfields redevelopment projects for FY2003, the same amount appropriated in both FY2001 and FY2002. Brownfields redevelopment funds are used to reclaim abandoned and contaminated commercial and industrial sites. Administration estimates place the number of eligible brownfield sites at 450,000 nationwide. Funds are used to finance job creation activities that benefit low and moderate income persons, and the Administration estimates that the $25 million requested could support the cleanup of 25 brownfield sites and create approximately 5,400 jobs. Funds have been used in conjunction with Section 108 loan guarantees and with EPA brownfields cleanup efforts, but HUD will propose decoupling the brownfields program from the Section 108 loan guarantee program, believing this will attract more participants.

The Senate Appropriation Committee recommends $25 million for FY2003 and agrees to HUD's proposed decoupling. The House bill would also continue the program and recommends an appropriation of $25 million for FY2003. Unlike the Senate bill, the House bill would not de-link HUD brownfield funds and CDBG 108 guarantees. However, on June 4, 2002 the House did approve legislation, the Brownfield Development Enhancement Act (H.R. 2941), that would no longer require communities receive Section 108 loan guarantees as a condition for receipt of Brownfield Economic Development Funds, authorized under Sec. 108(q) of the Title I of the Housing and Community Development Act of 1974, as amended (42 USC 5308). The change was sought as a means of providing small communities with easier access to brownfield funding.

The HOME Investment Partnership Program. The Administration is requesting $2.084 billion for FY2003, $238 million more than the $1.846 billion enacted in FY2002. H.R. 5605 is recommending $2.221 billion, which is $375 million more than the FY2002 appropriation and about $137 million more than the budget request. S. 2797 is recommending $1.95 billion, about $104 million less than the amount enacted in FY2002 and $134 million less than the budget request.

The HOME block grant program makes funds available to participating jurisdictions to increase the supply of affordable rental housing and homeownership opportunities for low-income families. Jurisdictions have considerable flexibility in the use of these funds but all households assisted must have incomes below 80% of the area median and 90% of renters receiving assistance must have incomes below

60% of median. Funds can be used to help new homebuyers. Both homebuyers and renters can be helped through the rehabilitation of substandard housing and new construction. Funds may also be used for tenant-based rental vouchers. Some HOME funds are used with the HOPE VI program and with the Low-Income Housing Tax Credit. According to HUD budget documents, since its beginning in 1992, HOME funds have been used to construct or rehabilitate more than 250,000 rental units, and have provided direct rental assistance (vouchers) to more than 73,000 households.

The Administration and H.R. 5605 request a $200 million set-aside for a "Downpayment Assistance Initiative" to assist first-time low-income homebuyers, up from the $50 million enacted for FY2002. Funds would be provided on a competitive basis and would be administered by state housing finance agencies, and be expected to assist over 130,000 first-time buyers each year. Funds would be matched on a 3 to 1 basis up to $1,500 per family. HUD made the same $200 million request last year, and some organizations, including those representing the National Association of Counties and the U.S. Conference of Mayors, testified before the House Subcommittee on Housing and Community Opportunity last year (May 22, 2001), in opposition to the $200 million set-aside, arguing that HOME funds may already be used for downpayment and/or closing cost assistance. Further, they oppose it because "it chooses one delivery system – state housing finance agencies – for no proven programmatic purpose." They argued that some communities already have a high homeownership rate and that affordable rental housing is the critical need.

S. 2797 does not include any funds for the Downpayment Assistance Initiative. The Senate Appropriations Committee says that it supports the expansion of homeownership opportunities, but notes its continued concern that the program would constrain the ability of local communities to determine the best use of HOME funds. The Committee notes its support of any HUD efforts to educate communities on how to use HOME funds to expand homeownership. Last year's Senate bill did not include any funding for this downpayment assistance fund; the House recommended the full $200 million. H.Rept. 107-43 noted that "downpayment assistance is already permissible under the HOME program and therefore does not require new or additional authorization." The conferees provided $50 million, subject to enactment of authorization legislation by June 30, 2002. Otherwise, the $50 million would be available for any authorized purpose. No authorization occurred and H.R. 4775, a fiscal 2002 supplemental appropriations bill, signed by the President on August 2, 2002, (P.L. 107-206) rescinds the $50 million.

The Administration recommends that, instead of being funded within the HOME program, Housing Counseling Assistance be funded at $35 million in a new free-standing appropriation account under the Housing Programs section of the HUD budget. The Administration makes several points as justification for the increased funding level: (1) new research demonstrates that housing counseling can be effective in reducing mortgage delinquencies, (2) the demand for housing counseling services exceeds the funding availability, (3) it would complement the Administrations homeownership initiative, (4) the availability of counseling is central to meeting the goal of increasing minority homeownership rates, (5) counseling is an element of community-based efforts to combat predatory lending, (6) it would further the goal of developing a certificate program for housing counseling, and (7) it would enable the more efficient use of HUD staff.

Both H.R. 5605 and S. 2797 reject the Administration's request for separate funding of housing counseling assistance outside of HOME, but recommends that housing counseling remain within HOME. H.R. 5605 would fund the program at $25 million, a $5 million increase over the FY2002 appropriation. S. 2797 would fund the program at $40 million, a 50% increase over the amount enacted in FY2002. In addition to using the program to expand homeownership opportunities, the Senate Appropriations Committee urges HUD to use the program as a means of educating homebuyers on the dangers of predatory lending.

The House Committee directs HUD to update and reissue its guidance to HUD field offices regarding the eligibility of manufactured housing under the HOME statute. HUD would be directed to notify participating jurisdictions about the guidance. The guidance would be expected to include and downpayment assistance activities funded under HOME. There would be a two-year availability of funds provided under HOME.

Homeless Assistance Grants. President Bush's FY2003 budget requests $1.130 billion for homeless assistance, an increase of $7 million over the $1.123 billion enacted for FY2002. This includes funding of $1.109 billion for Homeless Assistance Grants, $11 million for homeless management systems, and $6.6 million for technical assistance. The House Appropriations Committee recommends $1.250 billion for FY2003, an increase of $127 million over FY2002, which includes full funding for the costs of renewing all expiring Shelter Plus Care contracts, $11 million for the national homeless data analysis project, $6.6 million for technical assistance, and $10 million for a two-year demonstration program to test innovative approaches and document best practices to address the needs of the homeless. The Senate appropriators recommend $1.215 billion for FY2003, an increase of $92 million. The Senate Committee specified that of the $1.215 billion recommended, $193 million is to fund Shelter Plus Care renewals on an annual basis, while $17.6 million is for technical assistance and management information systems. This leaves approximately $1.0 billion to fund the remaining three homeless programs, i.e., supportive housing, emergency shelter grants and Section 8 single-room occupancy.

For FY2003, the Administration has proposed that the Emergency Food and Shelter program (EFSP), which is currently administered by the Federal Emergency Management Agency (FEMA), be transferred to HUD. The Senate Committee does not agree that there is a compelling reason to disrupt the EFSP by transferring it. The Committee recommends that EFSP remain within FEMA and recommends funding for FY2003 at $153 million. HUD's FY2003 budget request is based on a legislative proposal to consolidate the three competitive homeless assistance programs under the Homeless Assistance Grants programs, i.e. Supportive Housing, Shelter Plus Care and Single Room Occupancy. The fourth HUD program, Emergency Shelter Care, is a formula program. The proposed consolidation is intended to provide more consistent funding and eliminate the burden of administering the current competitive programs.

The homeless assistance programs are intended to help homeless persons and families break the cycle of homelessness and to move to permanent housing and self-sufficiency. The Continuum of Care (CoC) process encourages the creation of linkages to other housing and community development programs including public housing, Section 8, Community Development Block Grants, HOME, Housing Opportunities for Persons with AIDS and state and local programs. In addition, the strategy promotes direct links to mainstream social service programs critical to the success of homeless assistance efforts, such as Medicaid, State Children's Health Insurance Program, Food Stamps, Temporary Assistance for Needy Families (TANF) and services funded through the Mental Health and Substance Abuse Block Grant, Workforce Investment Act, and the Welfare-to-Work grant program.

The FY2003 HUD justification included preliminary measurable performance indicators which concentrate on the number of homeless persons who have attained permanent housing. One of HUD's strategic objectives is to end chronic homelessness (20% of the homeless) in 10 years; one of the indicators of progress to this goal is that at least 25,000 formerly homeless persons move into HUD McKinney-Vento funded permanent housing through FY2003. The Senate Committee is concerned that HUD is not taking the proper steps to ensure that Shelter Plus Care units are targeted to chronically homeless individuals. The committee directs HUD to report to the committee by June 15, 2003 on how it is ensuring that Shelter Plus Care grants are made to providers serving chronically disabled, chronically homeless people.

Another strategic objective is to help homeless individuals and families move to permanent housing. Some of the indicators of successfully moving toward that goal is that through FY2003, at least 29,000 homeless persons move from HUD transitional housing to permanent housing; that at least 115,000 homeless people move into HUD-funded transitional housing and that at least 19,000 homeless persons become employed while in HUD's homeless assistance project. Another indicator of moving toward that goal is that the number of communities with Homeless Management Information Systems increase from 12 in FY2001, to 25 in FY2002, to 75 in FY2003; HUD has been charged by Congress to assist communities in developing unduplicated counts of homeless persons and generating client-level data nationally by 2004.

For more information on federal programs for the homeless, see CRS Report RL30442, *Homelessness: Recent Statistics, Targeted Federal Programs and Recent Legislation*, by M. Ann Wolfe.

Housing Program Administration

Housing for the Elderly and Disabled. These programs, referred to as the Section 202 program for the elderly and the Section 811 program for the disabled, provide capital grants for the development of additional new subsidized housing. The President proposed $783 million (including the reprogramming of $9.7 million in unobligated funds from previous years) for housing assistance for the elderly in FY2003, the same as for the previous year. HUD points out that an increasing number of the elderly living in these apartments have become frailer and less able to live in rental facilities without some additional services. Of the $783 million, $30 million would be made available for grants for construction to convert existing units to assisted living facilities. This would allow individual elderly residents to remain in their units and maintain their independence. Another $53 million would be targeted to service coordinators who help the elderly obtain needed and eligible services from the community.

The House Appropriations Committee proposed a direct appropriation of $841 million for the Section 202 program (in addition to the assumed $9.7 million in recaptured funds), $67 million above the Administration's request, including $50 million for service coordinators and $30 million for the conversion of Section 202 housing to assisted living facilities.

The Senate Appropriations Committee recommends $783 million for FY2003 for the elderly (Section 202 housing), including up to $50 million for assisted living conversions and up to $53 million for service coordinators, which matches the Administration's request.

The Administration also has requested $251 million for housing for the disabled (Section 811), a $10 million increase over the $241 million provided in FY2002. Like last year, up to 25% of the funds for the disabled could be used for vouchers to give disabled individuals more flexibility and choice so they could live in mainstream rental housing. However, these vouchers must then be renewed each year, and in FY2003, $32 million of the $251 million total would be required to renew vouchers. In addition, of the $204 million proposed for 33,400 additional vouchers, mentioned earlier under the Housing Certificate Fund, $40 million would be allocated for approximately 6,000 vouchers for non-elderly disabled individuals who are currently living in public housing units that are now being converted to "elderly only" projects.

The House Appropriations Committee approved $259 million for the Section 811 program for FY 2003, over $8 million more than the Administration's request, including an allowance for up to 25% to be spent on tenant based rental assistance for the disabled.

Federal Housing Administration (FHA). For FY2003, the Administration requests and S. 2797 recommends an insurance commitment limitation of $160 billion for the FHA Mutual Mortgage Insurance and Cooperative Housing Mortgage Insurance (MMI/CHMI) fund, the same level as appropriated for FY2002. H.R. 5605 recommends a commitment level of $165 billion. Both the Administration and S. 2797 request a $21 billion insurance commitment limitation for the General Insurance and Special Risk Insurance (GI/SRI) fund, the same level as approved for FY2002. H.R. 5605 recommends a commitment limitation of $23 billion.

Since FY2002, the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) have determined that FHA receipts under the MMI account should be classified within the discretionary rather than the mandatory part of HUD's budget. According to CBO, the reclassification has no effect on the amount of budgetary resources available to HUD, and the MMI program will continue operating as it did prior to the reclassification. Mandatory spending must comply with the pay-as-you-go rules of the Budget Enforcement Act (BEA) while discretionary spending must comply with the BEA's discretionary spending caps. Spending for the MMI program will be determined by the annual appropriations acts.

The Budget and H.R. 5605 requests a loan limitation of $50 million for direct loans under the MMI/CHHI fund, a $200 million reduction from the FY2002 level. The Budget states that the $250 million limitation in FY2002 was in anticipation of increased demand for disposition of single family properties and the demand did not materialize because of the availability of alternative financing. S. 2797 recommends a direct loan limitation of $250 million, the same as enacted in FY2002.

The Administration, H.R. 5605, and S. 2797 propose a direct loan limitation of $50 million for the GI/SRI fund, the same limit as in FY2002. The direct loans are used to facilitate the sale to municipalities and nonprofit corporations of single family and multifamily properties that have been acquired by the FHA insurance funds through defaults and foreclosures by borrowers.

The Budget and S. 2797 request administration expenses of $336.7 million for the MMI/CHMI accounts. S. 2797 would provide that, to the extent guaranteed loan commitments exceed $65.5 billion on or before April 1, 2003, an additional $1,400 in administrative contract expenses would be available for each additional $1 million in loan commitments, but the additional funds could total no more than $16 million. H.R. 5605 requests $347.8 million for administrative expenses.

The Budget, H.R. 5605, and S. 2797 request administration expenses of $223.7 million for the GI/SRI accounts. S. 2797 would provide that, to the extent guaranteed loan commitments exceed $8.426 billion on or before April 1, 2003, an additional $1,980 in administrative contract expenses would be available for each additional $1 million in loan commitments, but the additional funds could total no more than $14.4 million.

As in FY2002, the FY2003 Budget, H.R. 5605, and S. 2797 request an appropriation of $15 million for credit subsidies to support loan guarantees under the GI/SRI programs. The credit subsidy is based on the net cost to the government, exclusive of administrative expenses, of a direct loan or loan guarantee over its full term, discounted to the present value at the Treasury's borrowing cost. FHA proposes to reduce the annual mortgage insurance premium from 80 basis points to 57 basis points on new construction loans insured under the Section 221(d)(4) program. That program is the largest multifamily program insured in the GI/SRI fund. Interestingly, the insurance premiums were raised from 50 to 80 basis points in FY2002, and that was used as partial justification for the need of only $15 million in credit subsidies instead of $101 million that had been appropriated in the prior year.

The Budget notes, however, that prior estimates were based on historic performance over the past 40 years, including tax law changes in the 1980s that adversely affected the performance of loans in the portfolio at the time. The Budget argues that the new credit subsidy estimates are based on econometric models that incorporate the improvements in recent years in underwriting, program monitoring, and asset management.

The Senate Committee notes that it remains concerned that HUD has failed to calculate adequately the amount of credit subsidy needed to support its multifamily mortgage insurance programs. The Committee notes that it expects HUD to institute a computer program that accurately identifies the risk of default and financial risk to the insurance fund. The Committee also directs HUD to issue any changes in insurance premiums through notice and comment rule making, as required by law.

Section 601 of P.L. 105-276, the FY1999 HUD Appropriations Act, amended Section 204 of the National Housing Act to give HUD more flexibility in choosing the most cost-effective way of paying insurance claims and disposing of acquired notes or homes under the FHA single family programs. The amendment provides a new claims payment procedure that permits HUD to pay a claim upon assignment of the mortgage rather than upon conveyance of the property; authorizes HUD to take assignment of the notes and transfer them to private parties for servicing, foreclosure avoidance, foreclosure, property management, and asset disposition; allows FHA to be an equity participant in private entities; and allows a structured financing for asset disposition in which FHA retains an equity interest, thereby increasing the value of the asset over simple asset sales.

In FY2003, HUD is proposing to use its Section 601 authority to transfer defaulted notes to joint venture partners in the private sector. The partners would make upfront payments to FHA at the time of transfer, FHA would retain an equity interest in the notes until their disposition, and FHA would receive additional payments for that interest. The proposal is expected to reduce foreclosures, eliminate much of the acquisition of property by FHA, and increase net recoveries to FHA. This is regarded as a big step towards getting FHA out of the property management business altogether.

The Senate Committee notes its concern about the accelerated claims disposition demonstration program under which HUD bundles delinquent loans and partners with a private bank to mitigate, or foreclose on, delinquent loans. The Committee notes that HUD has not demonstrated how this program would benefit very low-income communities, especially those with high incidences of predatory lending. The Committee notes its concern that, in those communities, foreclosures would occur more frequently than they do under the current system, and this would contribute to the deterioration of those communities. The Committee directs HUD to implement a system by which revitalization areas can be exempted from the accelerated claims disposition process should they choose to be.

The FY2002 VA/HUD Appropriations Act included language authorizing HUD's Credit Watch program. This program allows HUD to identify FHA lenders that originate a large number of loans that default quickly, which can be a key indicator of underwriting problems or fraud, and take corrective actions. By eliminating unqualified or unscrupulous lenders, the conferees hoped that HUD would reduce the number of foreclosed properties.

The Senate Committee notes that Credit Watch is an excellent tool for uncovering lenders after they have originated bad loans. By eliminating fraudulent or unqualified lenders, the Committee and HUD hope to reduce the number of foreclosed properties in the future. The Committee notes, however, that the Credit Watch model is only effective after problem loans default.

The Committee notes that though FHA continues to contribute to homeownership by low income, minority, and first time homebuyers, in some cases and in certain neighborhoods, FHA has been misused to underwrite bad loans that lead to defaults and foreclosed homes, and that this contributes to neighborhood decline and destabilization. The Committee notes that faulty appraisals have contributed to this problem, that HUD cancelled its appraisal oversight program, and that HUD has yet to implement its proposed alternative, which is based on the Credit Watch model.

Thus, the Committee directs the HUD to report to the appropriate Congressional Committees on further actions that can be taken to protect homebuyers and communities in census tracts that experience high rates of FHA defaults and foreclosures. The Committee directs HUD to consider making FHA lenders responsible for the appraisals on loans in these census tracts. The Committee further directs that HUD should consider several other options: (1) requiring first time homebuyers to receive counseling prior to the closing of an FHA loan; (2) requiring home inspections on FHA-insured homes bought by first time homebuyers; and (3) requiring the use of specially certified FHA appraisers for the purchase of homes. The Committee urges HUD to consider these and other options while avoiding proposals that create additional burdens for the FHA program or FHA homebuyers as a whole.

The Committee notes the receipt of complaints that, in areas affected by large numbers of FHA foreclosures and property flipping, some investors are repeatedly involved in buying FHA foreclosed properties, making superficial repairs, and then reselling, or flipping them at inflated prices. The Committee asks HUD to explore strategies to identify investors who are involved in such schemes and prevent their purchasing FHA properties. While recognizing that HUD continues to address the problems created by FHA property flipping, the Committee suggests that HUD must become more aggressive in adopting the kind of preventive measures suggested by the Committee. HUD is directed to submit a report that responds directly to the issues raised by the Committee by January 3, 2003.

The Budget reiterates HUD's commitment to eliminating predatory lending and comprehensively reforming and simplifying the home-buying process. The Budget stated that new regulations under the Real Estate Settlement Procedures Act will require full disclosure of all fees that borrowers will pay at settlement, and make it clear to borrowers that other finance options are available. A proposed rule on the subject was published in the *Federal Register* on July 29, 2002.

A proposed rule was published in 2001which would prevent the issuance of FHA insurance on properties that have been transferred by a previous sale within 6 months. The Budget notes that the rule will be implemented in 2003. FHA also proposes to publish a rule in 2003 which would restrict excessive points and fees on FHA-insured loans. A rule will be proposed in 2002 and, if implemented, would hold lenders accountable for the selection and performance of appraisers for FHA-insured mortgages.

In the administrative provisions, S. 2797 would amend the National Housing Act to extend the FHA downpayment simplification program through December 31, 2004.

The Senate Appropriations Committee recommends $251 million for housing for the disabled in FY2003, the same level as the Administration's request. Of the $251 million, up to 25% could be used to fund tenant-based rental assistance.

The House Appropriations Committee expressed concern about administrative burdens in both programs and directed HUD to 1) report back to the committee by March 1, 2003 on actions planned or taken to speed up completion of Section 202 projects; and 2) rewrite the Section 811 handbook to modify the program's procedures to simplify the application and review process. The Senate Appropriations Committee expressed concern about the growing cost of renewal contracts within both the elderly and disabled housing programs.

Office of Federal Housing Enterprise Oversight (OFHEO). OFHEO is the safety and soundness regulator for Fannie Mae and Freddie Mac. The FY2003 Budget proposes $30 million in budget authority compared to $27 million in FY2002. Legislation would be proposed to remove OFHEO from the annual appropriations process, and fund the organization directly. That would place OFHEO on a par with other safety and soundness regulators such as the Federal Reserve Board, the Office of Thrift Supervision, and the Federal Housing Finance Board. Both the Housing and Senate Appropriations Committees recommend $30 million for FY2003. Since the cost of the oversight is paid by fees from Fannie Mae and Freddie Mac, there are no budget implications.

Fair Housing. The Fair Housing Act makes it illegal to discriminate in the sale, rental, or financing of housing based on race, color, religion, sex, national origin, disability, or family status. HUD's FY2002 budget promises vigorous enforcement of fair housing laws and increased educational activities to combat discrimination in housing. For FY2003, HUD requests $46 million, level with FY2002 appropriations.

Two programs comprise HUD's fair housing efforts: the Fair Housing Assistance Program (FHAP) and the Fair Housing Initiatives Program (FHIP). FHAP strengthens nationwide enforcement efforts by providing grants to state and local agencies to enforce laws that are substantially equivalent to the federal Fair Housing Act. For FY2003, HUD is requesting $25.7 million for FHAP. FHIP provides funds for public and private fair housing groups, as well as state and local agencies, for activities that educate the public and housing industry about the fair housing laws, including accessibility requirements; investigate allegations of discrimination; help to combat predatory lending practices, and reduce barriers to minority homeownership. FHIP would be funded at $20.3 million in FY2003.

In its FY2002 budget for Fair Housing, HUD pledged to continue its efforts to combat predatory lending by working closely with interested parties, including consumer groups, federal, state and local regulators, and the industry to put an end to predatory lending. As part of this effort, it supports programs to increase financial literacy. Its proposed budget for FY2003 promised to continue these efforts.

Both the House and Senate Appropriations Committees recommend $46 million for HUD's fair housing programs for FY2003, level with FY2002 funding and the same as the budget request.

Lead-Based Paint Hazard Reduction. Title X of the Housing and Community Development Act of 1992 (P.L. 102-550), authorized HUD to establish the Lead-Based Paint Hazard Control Grant program. Before 1997, funding for the lead hazard control grant program was provided under the Annual Contributions for Assisted Housing Account. In 1997 and 1998, the program was funded as a set-aside under the Community Development Block Grant account. Starting in 1999, the program was funded as a separate, stand-alone program.

Over the past decade, HUD has worked with local governments and agencies to increase the number of lead hazard control programs, and measurable lead levels in children have declined. However, millions of housing units occupied by lower income households remain contaminated with lead-based paint. To further reduce lead paint health hazards, the FY2003 HUD budget requests a $16 million increase over FY2002, bringing the total to $126 million. Funds are distributed through competitive grants to entities that agree to match those federal grants. The $126 million supports a 10-year strategy to eliminate lead paint hazards, with funds targeted to the 1.8 million homes that are at risk of not being modified through normal renovation or demolition activities.

The House Committee recommends $126 million for the program in FY2003, the same $16 million increase as the Administration's request.

Citing lead poisoning from lead-based paint as the highest public health threat to children under the age of 6, the Senate Committee recommends $201 million for the program for FY2003, $75 million more than requested by the Administration and $91 million more than enacted for FY2002. While the Committee reports dramatic reductions in lead hazzards in low-income public housing, it says progress has not been as great in privately-owned unsubsidized low-income units, and thus recommends $75 million to establish a new lead hazard reduction demonstration program focused on major urban areas where children are disproportionately at risk.

Title III: Independent Agencies

Environmental Protection Agency

The President's FY2003 request for the Environmental Protection Agency (EPA) is $7.621 billion in budget authority or 6% less than the $8.079 billion appropriated for FY2002. The Senate Committee on Appropriations has recommended $8.299 billion; the House Committee has recommended $8.205 billion.

Accounting for the proposed decrease is the Administration's decision not to seek continued funding for about $500 million earmarked for numerous activities in the FY2002 conference report. This includes some $300 million for specific wastewater grants, numerous research grants, and other special grants. Other prime issues include the adequacy of funds to capitalize wastewater needs; funding of state programs including the shifting of enforcement responsibility to the states; and future funding of the Superfund program.

Table 10. Environmental Protection Agency Appropriations, FY1998-FY2002

(budget authority in billions)

FY1998	FY1999	FY2000	FY2001	FY2002
$7.4	$7.6	$7.4	$7.8	$8.08

Source: Figures for FY1998-FY2001 are from administration budget submissions of subsequent years; the figure for FY2002 is from H.Rept. 107-740, and is the latest available estimate for that fiscal year. Final spending levels remain uncertain until all program experience has been recorded, and any supplemental appropriations or rescissions have been included.

State and Tribal Assistance Grants. How to meet the Nation's water infrastructure capital needs remains a primary appropriations issue for EPA. The Administration's proposed FY2003 level of $3.464 billion for the State and Tribal Assistance Grants account (STAG) is $269 million, or 7% less than the $3.733 billion allocated in FY2002. The major reason for the proposed decrease is the Administration's decision not to seek continued funding for over $300 million that had been designated for specific water grants in FY2002. S. 2797 recommends $4.01 billion; H.R. 5605 recommends $3.8 billion. Both bills have added funds to the request to partially reinstate water grant funding.

Within the STAG account, the budget proposes $1.2 billion for wastewater funding, $150 million less than the $1.35 billion for FY2002. The Senate committee recommended $1.5 billion; the House committee $1.3 billion. Another major account activity, drinking water state revolving funds, is projected to receive $850 million, the same as funding for FY2002 and as recommended by the House Committee on Appropriations. The Senate Committee bill proposes an additional $25 million.

For state and tribal administrative grants, the budget seeks $1.2 billion, $84 million more than current funding; most state administrative grants would remain the same as in the current year. One new grant program would provide $15 million in grants to assist states in enforcing environmental laws and regulations. This represents a shift in policy, moving more enforcement to the states, and is accompanied by a related $15 million decrease in EPA's own enforcement efforts. A similar proposal in the FY2002 proposal was not agreed to by the appropriators. The Senate Committee on Appropriations continues to disagree with the limitations, and added $15 million to the agency's enforcement budget; the House Committee concurs. Also part of the proposal, and recommended under both bills, is $170 million in Brownfields Grants for contaminated sites with development potential. And, the proposal seeks $20 million for Targeted Watersheds Project grants to implement restoration in priority watersheds.

Table 11. Appropriations: Environmental Protection Agency, FY2002-FY2003

(budget authority in billions)

Program	FY2002 enacted	FY2003 request	FY2003 H.R. 5605	FY2003 S. 2797	FY2003 Conf.
Science and Technology	.735	.781	.801	.796	–
transfer in from Superfund	*.037*	*.111*	*.086*	*.086*	–
Emergency supplemental	.090	–	–	–	–
Environmental programs, compliance (management)	2.055	2.048	2.112	2.140	–
Emergency supplemental	.039	–	–	–	–
Office of Inspector General	.046	.048	.048	.048	–
transfer in from Superfund	*.012*	*.013*	*.013*	*.013*	
Buildings and facilities	.025	.043	.043	.043	–
Superfund (net, after transfers)	1.221	1.149	1.324	1.174	–
direct appropriations	*1.270*	*1.273*	*1.423*	*1.273*	–
transfers out from Superfund	*-.049*	*-.124*	*-.099*	*-.099*	
Emergency supplemental	.041	–	–	–	–
Leaking Underground Storage Tank Trust Fund	.073	.072	.072	.072-	–
Oil spill response	.015	.016	.016	.016	–
State and tribal assistance	3.733	3.464	3.789	4.010	–
Emergency supplemental	.005	–-	–	–	–
Subtotal (EPA)	**8.079**	**7.621**	**8.204**	**8.299**	–

Source: S.Rept. 107-222; H.Rept. 107-740

Note: Rounding may cause discrepancies in subtotals.

Superfund. The future of the Superfund, and its purpose of cleaning up toxic waste sites remains an issue. The FY2003 budget request of $1.149 billion is a proposed $72 million decrease compared to FY2002. S. 2797 recommends $1.174 billion; the H.R. 5605 recommends $1.324 billion. There is concern over the ability of the declining trust fund, which is financed by chemical fees and other taxes, to finance the program beyond FY2003. The available balance of the fund has been declining since its taxing authority expired on December 31, 1995. The President's FY2003 budget does not propose renewing the taxes that support Superfund, and its balance at the beginning of FY2003 was projected to be $427 million, a level sufficient to accommodate the fund's share of the projected spending authority of $1.2 billion needed for FY2002, 46% of which would come from the fund and 54% from general appropriations.

Historically, the share paid by the trust fund has been declining. In the past, the trust fund paid for the majority of Superfund activities; in the current year, the fund supports 50% of the program costs, in future years, general appropriations may have to pay the majority of costs. Some have criticized this fundamental change in policy, which lessens the responsibility of polluters, under the principle that the "polluter pays," and instead socializes pollution costs across the economy, by funding them as costs to the general Treasury.

For more detailed information on the Superfund, see: CRS Issue Brief IB10078, *Superfund and the Brownfields Issue in the 107th Congress*. For information on wastewater treatment issues, see CRS Report 98-323, *Wastewater Treatment: Overview and Background*. For an in-depth discussion of the EPA budget proposal, see CRS Issue Brief IB10101, *The Environmental Protection Agency's FY2003 Budget*.

Federal Emergency Management Agency

The Federal Emergency Management Agency (FEMA) helps states and localities prepare for and cope with catastrophic disasters. FEMA administers policies related to emergency management, including: aspects of homeland security, disaster relief, fire prevention, earthquake hazard reduction, emergency broadcasting services, flood insurance, mitigation programs, and dam safety. The Bush Administration and Congress have emphasized FEMA's role in preparing for and responding to terrorist attacks since September 11.

At least 28 statutes and executive directives set forth the responsibilities of FEMA. (These authorities are summarized in CRS Report RL31510, *Proposed Transfer of FEMA to the Department of Homeland Security*. The Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 *et seq.)* authorizes the President to declare major disasters or emergencies (the latter provide considerably less federal assistance than the former), sets out eligibility criteria for federal aid, and specifies the types of assistance that may be provided by FEMA and other federal agencies.

Disaster assistance funding varies from year-to-year by the severity and frequency of declared catastrophes. In recent years, billions have been appropriated to help communities recover from tornados, hurricanes, floods, earthquakes, and other incidents. For detailed information see CRS Report RL31359, *Federal Emergency Management Agency Funding for Homeland Security and Other Activities*.

The FEMA budget requests for each year include funds for normal agency operations and grant-in-aid assistance to nonfederal entities, in addition to emergency disaster relief. Should funds appropriated in annual legislation for disaster relief prove insufficient, supplemental funds are requested. The terrorist attacks of September 11 had a significant impact on funding for the agency. Through P.L. 107-73, a total of $2.9 billion was appropriated for FEMA for FY2002. In addition, through supplemental appropriations legislation (P.L. 107-38; P.L. 107-117; P.L. 107-206), another $7.6 billion was made available to the agency, resulting in a total of $10.5 billion for FY2002.

Table 12. Appropriations: Federal Emergency Management Agency, FY2002-FY2003
(budget authority in billions)

Program	FY2002 enacted	FY2003 request	FY2003 H.R. 5605	FY2003 S. 2797	FY2003 Conf.
Disaster relief [a]	9.172	1.843	1.820	1.843	–
Direct appropriations	*.664*	*1.843*	*1.820*	*.343*	
Contingent emergency funds	*1.500*	*.000*	–	*1.500*	–
Emergency Response Fund	*4.357*	*.000*	–	*.000*	–
Emergency supplemental (P.L. 107-206)	*2.651*	*.000*	*.000*	*.000*	
Nat'l pre-disaster mitigation	.000	.300	.250	.025	–
Disaster assist. loan; admin.	.001	.001	.001	.001	–
Radiologic. emergency prep.	-.001	-.001	-.001	-.001	–
Salaries and expenses[a]	.266	.240	.251	.240	–
Emergency Response Fund	.025	.000	.000	.000	–
Inspector General[b]	.010	.012	.012	.018	–
Emergency management, planning assistance[a]	.850	3.747	.817	1.747	–
Direct appropriations	*.405*	*3.347*	*.817*	*1.747*	
Emergency Response Fund	*.220*	*.000*	*.000*	*.000*	–
Emergency supplemental (P.L. 107-206)	*.225*	*.000*	*.000*	*.000*	
Emergency food, shelter	.140	.153	.153	.153	–
Flood map modernization	.000	.300	.200	.300	–
Nat'l Flood Insurance Fund[c]	.105	.110	.110	.110	–
Subtotal (FEMA)	**10.536**	**6.704**	**3.612**	**4.435**	–

Source: S.Rept. 107-222; H.Rept. 107-740.

Note: Rounding may cause discrepancies in subtotals.

[a] According to the Office of Management and Budget, as of March 31, 2002, a total of $5.8 billion in budget authority was available to FEMA through the Emergency Response Fund, as follows: $5.6 billion for disaster relief, $30 million for salaries and expenses, and $215 million for emergency management planning and assistance.
[b] Both the House and Senate bills authorize the transfer of up to $21.6 million from the disaster relief fund to the Office of Inspector General.
[c] National Flood Insurance Fund data includes salaries and expenses and flood mitigation funding.

Perhaps the most significant change in funding requested by the Administration for FY2003 involves funding terrorism preparedness activities. The First Responder Initiative, proposed to be funded at $3.5 billion, would provide funds for state and local governments to purchase equipment, conduct simulations and drills on responses to terrorist incidents, and undertake other preparedness activities. As envisioned by the Administration, these funds would be administered by the Emergency Preparedness and Response Directorate of the proposed Department of Homeland Security (H.R. 5005) now the subject of debate in the 107th Congress. Neither H.R. 5605 nor S. 2797 includes recommended funding for the First Responder Initiative. Instead, funding will continue to be provided through FEMA's Emergency Management Planning and Assistance Account.

S. 2797 recommends $4.435 billion for FEMA for FY2003, and assumes that $1.5 billion will be available as Contingent Emergency appropriations. S. 2797 recommends $2 billion less than the request for Emergency Planning and Assistance.

To reduce future losses from disasters, in recent years FEMA has sought increased funding for mitigation activities. Legislation to establish a new hazard mitigation program was approved by the 106th Congress (P.L. 106-390). For information on the legislation, see: CRS Report RS20736, *Disaster Mitigation Act of 2000 (P.L. 106-390): Summary of New and Amended Provisions of the Stafford Disaster Relief Act.*

National Aeronautics and Space Administration

The National Aeronautics and Space Administration (NASA) receives appropriations within two accounts: Human Space Flight (HSF); and Science, Aeronautics and Technology (SAT). Funding for the Office of Inspector General is identified separately. In the FY2003 budget, the HSF account includes funding for the International Space Station; Space Shuttle; Payload and Expendable Launch Vehicle Support; Investments and Support; Space Communications and Data Systems; and Safety, Mission Assurance, and Engineering. The SAT account contains the bulk of NASA's research and development activities, including Space Science; Biological and Physical Research; Earth Sciences; Aero-Space Technologies; and Academic Programs.

NASA requested $15.000 billion for FY2003, compared to $14.902 billion appropriated in FY2002 ($14.793 billion in the FY2002 VA-HUD-IA Appropriations Act, and $108.5 million in the FY2002 DOD and Supplemental Appropriations Act), an increase of 0.66%. According to OMB, the NASA request for FY2003 is $15.117 billion, because OMB includes $117 million in federal retiree costs in the request (see explanation below). The Senate Appropriations Committee has recommended (S. 2797, S.Rept 107-222) an additional $200 million for NASA for FY2003. The House Appropriations Committee (H.R. 5605, H.Rept. 107-740) recommended an additional $300 million.

NASA's budget structure is changing, complicating efforts to track funding for specific programs or enterprises. First, NASA is moving to full cost accounting where costs for personnel and construction of facilities eventually will be included in individual program costs, instead of grouped together at a broader level. The accounting changes began in the FY2002 budget and are continued in FY2003.

Second, NASA shifted some of the funding for "Space Operations" from HSF to SAT. (Space Operations involve activities related to tracking and communicating with spacecraft in Earth orbit and beyond, and with aeronautics and aerospace vehicles within Earth's atmosphere. It also includes the telecommunications networks used by the agency for its internal operations.) Thus, some of the apparent decline in the HSF budget, and the increase in the SAT budget, is attributable to these transfers rather than a reduction or increase in programs. Also, beginning in FY2002, NASA shifted funds for space station research out of HSF and into SAT, specifically the Office of Biological and Physical Research (OBPR). Total space station program funding now is the sum of the funds in the International Space Station (ISS) line plus the "ISS research" portion of OBPR.

Table 13. National Aeronautics and Space Administration Appropriations, FY1998-FY2002

(budget authority in billions)

FY1998	FY1999	FY2000	FY2001	FY2002
$13.65	$13.67	$13.60	$14.29	$14.90

Source: Figures for FY1998-FY2001 are from administration budget submissions of subsequent years; the figure for FY2002 is from H.Rept. 107-740, and is the latest available estimate for that fiscal year. Final spending levels remain uncertain until all program experience has been recorded, and any supplemental appropriations or rescissions have been included.

Third, the President proposed legislation under which federal departments and agencies, beginning with the FY2003 budget, would pay the government share of federal retiree (pensions and health insurance) costs for their employees on an accrual basis, thereby increasing current year costs. Although the legislation is not being considered, NASA's FY2003 budget was presented with $117 million in federal retiree costs included. Thus, when discussing NASA's FY2003 request, some refer to $15.000 billion, while others use $15.117 billion. The difference is whether the retiree costs are included. This report uses the $15.000 billion figure, following the practice of the Appropriations Committees, which have criticized the Administration for including the legislative proposal in the details of account requests.

More details on NASA's FY2003 request are available in CRS Report RL31347. Information on NASA's FY2002 budget is contained in CRS Report RL31037.

International Space Station (ISS). For FY2003, NASA is requesting $1.839 billion for the ISS program: $1.492 billion in the HSF account; and $347 million in the Office of Biological and Physical Research (OBPR) budget, part of the SAT account. The HSF funding is for building the space station. The OBPR funding is for the scientific facilities to enable research to be conducted aboard it (often called the "space station research" or "space station science" budget). For FY2002, NASA received $2.093 billion in total for the ISS program. The FY2003 request is $254 million less than the comparable figure for FY2002, reflecting the fact much of the hardware has been built and the Bush Administration has decided to truncate construction at a stage it calls "core complete." The FY2003 request is slightly higher than the $1.818 billion NASA projected that it would need for FY2003. The House and Senate Appropriations Committee approved the requested amount.

Table 14. Appropriations: National Aeronautics and Space Administration, FY2002-FY2003
(budget authority in billions)

Program	FY2002 enacted	FY2003 request	FY2003 H.R. 5605	FY2003 S. 2797	FY2003 Conf.
Human space flight	6.912	6.131	6.131	6.131	–
Emergency supplemental	.076	.000	.000	.000	–
Science, aeronaut., tech.	7.857	8.845	9.145	9.045	–
Emergency supplemental	.033	.000	.000	.000	–
Inspector General	.024	.025	.025	.025	–
Subtotal (NASA)	**14.902**	**15.000**	**15.300**	**15.200**	–

Source: S.Rept. 107-222; H.Rept. 107-740.

Note: Rounding may cause discrepancies in subtotals.

The space station is under construction in orbit and the facility has been permanently occupied by successive crews on 4-6 month shifts since November 2000. Much remains to be built, however, and in early 2001, NASA revealed significant cost growth for completing the station. The new estimate would exceed a congressionally imposed cap of $25 billion. In response, the Bush Administration directed NASA to stop construction at core complete in FY2004. At that point, the U.S. hardware now awaiting launch will be in orbit. The Bush Administration then plans to proceed with launch of the European and Japanese laboratory modules now under construction, and another scientific module being built by Japan for NASA as part of a barter agreement (the Centrifuge Accommodation Module).

The Bush Administration cancelled plans to build a Propulsion Module, and indefinitely deferred two other U.S. ISS elements: the Habitation Module and the Crew Return Vehicle (CRV). Without the CRV, ISS crew size may be limited to three astronauts, which could severely restrict the amount of scientific research conducted there. NASA hopes to have a new, independently verified cost estimate for completing the "core complete" configuration by September 2002. Subsequently, the Bush Administration will make recommendations on what, if any, "enhancements" to make, such as adding back capabilities for a larger crew.

Europe, Japan, Canada, and Russia are all partners with the United States in building the space station, and all have expressed deep concern with the revised U.S. plan. They point out that the term "core complete" does not appear in the international agreements that govern the station program and hence are not formally recognized. The Intergovernmental Agreement (IGA) is considered a treaty in all the countries that are partners in the ISS program, except the United States where it is an Executive Agreement. The international partners want the Bush Administration to commit to building the space station as agreed in the IGA and associated Memoranda of Understanding (MOUs) between NASA and its counterpart agencies, but the

Administration is not willing to make that commitment. See CRS Issue Brief IB93017 for more on the space station program.

Space Shuttle. For FY2003, NASA is requesting $3.208 billion for the shuttle program, slightly less than the $3.273 billion it received in FY2002. The Senate Appropriations Committee approved the full request.

NASA insists that shuttle safety is a top NASA priority, but the aging of the shuttle systems, and concern about the skill mix of the shuttle workforce as the shuttle program transitions to a "single prime contractor," makes safety an ongoing issue. In testimony to the House Science Committee on April 18, 2002, Richard Blomberg, who recently completed his term as chairman of an independent panel that oversees human space flight safety at NASA, said that in all his years of involvement, "I have never been as concerned for Space Shuttle safety as I am right now."

Decisions on how much to spend on safety and supportability upgrades for the shuttle are partially dependent on the length of time the shuttle is required to be in service. NASA is developing technologies for a vehicle to replace the shuttle (see Aero-Space Technology below). NASA's current plans are to operate the shuttle until 2012, but the agency is assessing what further upgrades would be required if the shuttle is needed through 2020 should the new program not proceed as planned. In its FY2003 budget, NASA is proposing a 43% reduction for the period FY2002-2006 in funding for shuttle upgrades. In response to questions at a House Science Committee hearing on February 27, 2002, NASA Administrator O'Keefe assured the committee that the funding level proposed in the FY2003 budget will not compromise shuttle safety. For more on the shuttle program, see CRS Issue Brief IB93062.

Space Science. For FY2003, NASA is requesting $3.414 billion for the Office of Space Science (OSS), compared with $2.867 billion in FY2002. Of the $547.2 million increase, $165.5 million is a transfer from the HSF account for the Deep Space Network (DSN), and another $73.9 million is to cover a shortfall in the DSN line item. Thus, $239.4 million of OSS's FY2003 budget request is due to the transfer of DSN, not new program initiatives. Funding for OSS programs would increase overall by $308 million, reflecting funding increases in some areas, but decreases in others. The budget proposes $124 million for a new Nuclear Systems Initiative to develop nuclear power units for spacecraft and perform research on nuclear propulsion, $704 million for advanced technology development (an increase of $264 million over FY2002), and $15 million to create a "New Frontiers" program.

The Senate Appropriations Committee recommended a net increase of $78 million for space science: an addition of $105 million to continue the Pluto-Kuiper Belt mission, a reduction of $13 million from the Nuclear Systems Initiative, an addition of $2.5 million in congressionally directed spending, and a reduction of $16.5 million because of the decision to delay construction of a flight projects building at the Jet Propulsion Laboratory.

Some planetary scientists believe NASA's next solar system exploration priority should be Pluto, since it has not yet been observed at close range. They argue that a spacecraft must be launched quickly (by 2006) so it can receive a "gravity assist" from Jupiter and reach Pluto before Pluto's atmosphere collapses (around 2020) as the planet moves further from the Sun. The spacecraft would also study objects in the Kuiper Belt, thought to be the "home" of some comets. Other scientists believe Europa, a moon of Jupiter, is more scientifically interesting and should have higher priority. Scientists are intrigued by Europa because it appears to have a surface of frozen water, with liquid water underneath. Water is essential to life, and the discovery of liquid water suggests the possibility that life could exist there. A spacecraft designed to study Europa is more technically challenging and expensive than the Pluto/Kuiper Belt (PKB) mission.

NASA's cost estimate for the Europa mission is $1.2 billion, compared to approximately $500 million for PKB. NASA tried to cancel the PKB mission last year, but Congress added funding to continue its development in FY2002. Congress also approved the Europa mission, capping funding at $1 billion.

In the FY2003 budget, the Bush Administration proposed cancellation of both programs because they are too expensive. Instead, the Administration proposed a "New Frontiers" program in which planetary exploration proposals would be competitively selected, with a cost cap of $650 million. The FY2003 request includes $15 million for New Frontiers. The Administration also plans to initiate development of nuclear power and propulsion that could enable spacecraft to reach their destinations more quickly and operate for longer periods of time.

In a July 2002 report, the National Research Council (NRC) identified a mission to the Kuiper Belt and Pluto (but not necessarily the PKB mission currently being developed) as the top priority mission in the $650 million cost category. The NRC identified a Europa mission as the top priority in a "flagship" class of more expensive probes, but concluded the Europa mission is behind the Pluto mission in terms of technical readiness. The Senate Appropriations Committee recommended adding $105 million for FY2003 to continue development of the PKB mission as the first New Frontiers program. It also approved the $15 million requested for New Frontiers, making a total of $120 million available for PKB. The committee did not recommend funding a Europa mission.

The House Appropriations Committee added $105 million for a "Kuiper Belt/Pluto" mission, apparently preferring the NRC's concept, and also added $40 million for a Europa mission. Concerning NASA's proposal for the Nuclear Systems Initiative, the NRC supported the development of nuclear propulsion, but concluded it was not needed for the Pluto mission. The Senate committee reduced the NSI request by $13 million, while the House reduced it by $17 million.

In addition to the changes in funding for Pluto and NSI, the Senate committee added $2.5 million in congressionally directed spending, and cut $16.5 million because of delays in construction of a flight projects building at the Jet Propulsion Laboratory (another $3.4 million was cut in the Earth Sciences account for this building). In addition to changes in funding for Pluto, Europa, and NSI, the House committee added $19.9 million for the Mars exploration program, $7.5 million for a lightweight carrier pallet to support the Hubble Space Telescope program, and $6.4 million in other congressionally directed funding, and cut $19.9 million from the JPL flight projects building.

Biological and Physical Research. For FY2003, NASA requested $842.4 million for the Office of Biological and Physical Research (OBPR), compared with $820 million in FY2002. As noted, funding responsibility for scientific research aboard the International Space Station (ISS) shifted from HSF to this office in FY2002. OBPR's FY2003 request includes $347 million for ISS research. It also funds two new initiatives: the Space Radiation Initiative ($10.1 million) to better understand radiation effects on astronauts in space; and the Generations Initiative ($11.2 million), to learn how organisms evolve in space.

In FY2002, NASA cut space station research funding by $1 billion over the FY2002-2006 time period to compensate partially for the cost growth in the ISS program (discussed earlier). Also the expected reduction in crew size from seven to three will affect how much research can be conducted. A special task force, REMAP, reported to the NASA Advisory Council in July 2002 with recommendations on reprioritizing the space station research strategy.

The Senate Appropriations Committee approved all the NASA-requested OBPR funding, and added $10.6 million in congressionally directed funding. The House committee did not approve the funding for the Generations Initiative, added $8 million for plant and animal habitats for the space station, and added $15 million in other congressionally directed spending.

Earth Science. For FY2003, NASA requested $1.629 billion for the Office of Earth Science (OES), virtually identical to its FY2002 funding level of $1.626 billion. For FY2003, $42.4 million was transferred from the HSF account to OES for the Ground Network, and another $37.6 million is needed to cover a shortfall because of that transfer, so a total of $80.6 million of OES's FY2003 budget request is proposed for the transfer of the Ground Network. Some therefore may view the FY2003 funding level as a decrease compared to FY2002 in terms of program content.

OES is continuing to launch its first series of Earth Observing System (EOS) satellites and Earth Probes. OES developed a plan for the "EOS Follow-On" program through 2010 that was endorsed by the Space Studies Board of the National Academy of Sciences. However, in 2001, the Bush Administration announced a new Climate Change Research Initiative (CCRI). The Department of Commerce is responsible for scoping the CCRI and determining how it will interact with the existing U.S. Global Change Research Program. Those decisions ultimately will lead to choices about what satellites NASA should launch to support CCRI's goals.

Thus, plans for the EOS program are uncertain. NASA is moving forward, however, with development of the Ocean Topography Mission, the NPOESS Preparatory Project (NPP), and the Landsat Data Continuity Mission (LDCM). LDCM is intended to continue producing data similar to that from the Landsat series of satellites that have been launched since 1972 (two are still operating). The Bush Administration directed NASA to purchase Landsat-type data from the private sector rather than build its own satellite. Two companies were selected by NASA in March 2002 to develop proposals to accomplish that goal.

The Senate Appropriations Committee made a net addition of approximately $54 million to the Earth Sciences budget: additions of $25 million for the EOS Data Information System (EOSDIS), $20 million for pre-formulation studies for several Earth science activities, and $22 million in other congressionally directed spending; and a reduction of $3.4 million because of the delayed construction of the flight projects building at the Jet Propulsion Laboratory. The House Appropriations Committee added more than $40 million to the OES account, including $10 million that would be transferred to the Air Force for development of dual-use space radar technology.

Aero-Space Technology. For FY2003, NASA requested $2.816 billion for Aero-Space Technology, compared with $2.508 billion in FY2002. The Office of Aero-Space Technology (OAST) supports NASA's aeronautical research and development (R&D) program, the advanced space transportation technology program, information technology, and technology transfer. The Senate Appropriations Committee recommended a net reduction of $1.25 million from this account—adding $28.75 million for various aeronautics programs and congressionally directed spending, and reducing the Space Launch Initiative by $30 million.

The total requested funding for **Aeronautics R&D** is $541.4 million, a decrease of 10% from the FY2002 appropriation. In February 2002, NASA presented its technology vision for aviation in the report *The NASA Aeronautics Blueprint* [http://www.aerospace.nasa.gov/aero_blueprint/]. The report identifies a variety of challenges that could be addressed by advances in aeronautics technology, but it does not address funding for R&D. Although FY2002 saw a 5% increase compared with FY2001, funding for aeronautics R&D is still down considerably from its FY1998 peak of $920 million, and the proposed further reduction may be contentious.

Among the more controversial issues are funding for the rotorcraft program and the Small Aircraft Transportation System (SATS). The FY2003 budget request provides no funding for the rotorcraft program, which was funded at congressional direction in FY2002 ($12.5 million). SATS would increase by 29% to $20 million. A review of SATS by the National Academy of Sciences was completed in March 2002, after release of the President's budget. The report endorsed NASA R&D on small aircraft and small airports, but it was skeptical about NASA's long-range vision for the SATS concept in particular. The Senate Appropriations Committee recommended the full requested amount for aeronautics, plus an additional $7 million for the Ultra Efficient Engine Technology and Quiet Aircraft Technology programs. The House Appropriations Committee provided the full requested amount, plus increases of $19 million to build on the UEET and QAT programs, and $7 million for SATS.

A primary focus of NASA's advanced space transportation effort is the **Space Launch Initiative** (SLI) to develop technologies for a new Reusable Launch Vehicle (RLV) to replace the space shuttle. SLI replaces the unsuccessful X-33 and X-34 programs. SLI is intended to reduce the technical risk involved in building a 2^{nd} generation RLV (the shuttle is the 1^{st} generation RLV), and provide the necessary technical and cost information to enable a decision in 2006 as to what RLV to build. The SLI program itself does not involve development of the launch vehicle, only of the technologies that will permit a design choice to be made. NASA is focusing on technologies that would meet NASA requirements, but also is trying to "converge" its requirements with those of the commercial space launch services market and the Department of Defense to determine if a single vehicle could meet all requirements.

Although the original intent was for the private sector to fund development of, own, and operate the new RLV, NASA concedes that current market conditions make it unlikely that the private sector will fund development. NASA still hopes the new vehicle will be owned and operated by the private sector. Informal cost estimates for development are in the $10 billion range (in addition to the $5 billion being spent on SLI), though actual cost estimates will not be available until the SLI program is completed. NASA intends that the new vehicle will be operational by 2012, meaning that a substantial commitment of government funding would be required for the FY2007-FY2012 time period. Some observers are skeptical that a new vehicle can be developed in such a short time, an important consideration in terms of deciding how long the shuttle will be needed and therefore how much to spend on shuttle upgrades (discussed earlier). For more on the SLI program, see CRS Issue Brief IB93062.

The FY2003 request for SLI is $759 million, compared with $467 million in FY2002. The Senate Appropriations Committee cut $30 million from the FY2003 request. The House committee cut $31 million.

In addition to the changes already discussed in funding for aeronautics and SLI, the Senate committee added $21.75 million, while the House committee added $76.35 million, for other congressionally directed funding. The activities include projects related to aeronautics; computing, information, and communications; nanotechnology; and hydrogen research.

Academic Programs. For FY2003, NASA is requesting $143.7 million for Academic Programs, compared with $227.3 million in FY2002. The difference is attributable to the level of congressionally directed funding added to the program in the FY2002 budget. For FY2003, the Senate Appropriations Committee added $58.65 million in congressionally directed funding, while the House committee added $35.25 million.

National Science Foundation

The FY2003 request for the National Science Foundation (NSF) is $5.029 billion, a 5% increase ($240 million) over the FY2002 estimate of $4.789 billion. The FY2003 request provides support for several interdependent priority areas: biocomplexity in the environment ($79 million, 36% above FY2002), information technology research ($286 million, 3% above FY2002), learning for the 21st century ($185 million, 27.5% above FY2002), nanoscale science and engineering ($221 million, 11% above FY2002), mathematical sciences ($60 million, 100% increase above FY2002), and social, behavioral and economic sciences ($10 million, new in the FY2003 request).

The request provides a second installment of $200 million for the President's Math and Science Partnerships program (MSP). Additional FY2003 highlights include increased funding for graduate students ($26 million), continued support of plant genome research ($75 million), increased investment in NSF's administration and management portfolio ($268 million), and funding for the Partnerships for Innovation program ($5 million). As part of the Administration's new multi-agency Climate Change Research Initiative, the NSF will provide $15 million for research to advance understanding in the highly focused areas of climate science and to facilitate policy-decision making in climate research.

In FY2003, the Administration proposes the transfer of three programs from other agencies to the NSF. The proposed transfers include the National Sea Grant program, currently at the National Oceanic and Atmospheric Administration ($57 million), Environmental Education, currently at the Environmental Protection Agency ($9 million), and Hydrology of Toxic Substances, currently at the United States Geological Survey ($10 million).

Research and Related Activities. Included in the FY2003 request is $3.783 billion for Research and Related Activities (R&RA), a 5% increase ($185 million) over the FY2002 estimate of $3.599 billion. R&RA funds research projects, research facilities, and education and training activities. In the FY2003 request, the NSF has placed an emphasis on funding rates for new investigators and on increasing grant size and duration. The R&RA includes Integrative Activities (IA), created in FY1999. IA funds major research instrumentation, Science and Technology Centers, Science of Learning Centers, Partnerships for Innovation, disaster response research teams, and the Science and Technology Policy Institute. The FY2003 request for IA is $111 million, an increase of $4 million over FY2002.

Research project support in the FY2003 request totals $2.560 billion, an increase of 5% over FY2002. Support is provided to individuals and small groups conducting disciplinary and cross-disciplinary research. Included in the total for research projects is support for centers, proposed at $380 million. NSF supports a variety of individual centers and center programs. The request provides $45 million for Science and Technology Centers, $53 million for Materials Centers, $62 million for Engineering Research Centers, and $13 million for Physics Frontiers Centers. Research facility support in FY2003 is $1.122 billion, a 2% decrease from the FY2002 estimate.

Table 15. National Science Foundation Appropriations, FY1998 to FY2002

(budget authority in billions)

FY1998	FY1999	FY2000	FY2001	FY2002
$3.67	$3.90	$4.43	$4.79	$4.81

Source: Figures for FY1998-FY2001 are from administration budget submissions of subsequent years; the figure for FY2002 is from H.Rept. 107-740, and is the latest available estimate for that fiscal year. Final spending levels remain uncertain until all program experience has been recorded, and any supplemental appropriations or rescissions have been included.

Major Research Equipment; Facilities Construction. The Major Research Equipment and Facilities Construction (MREFC) account is funded at $126.3 million in FY2003, a 9% decrease ($12.5 million) from the FY2002 level. The MREFC, established in FY1995, supports the acquisition and construction of major research facilities and equipment that extend the boundaries of science, engineering, and technology. Seven projects are supported in this account for FY2003, five ongoing projects and two new projects – construction of the Atacama Large Millimeter Array ($30 million), the Large Hadron Collider ($9.7 million), the Network for Earthquake Engineering Simulation ($13.6 million), the South Pole Modernization Project ($6 million), Terascale Computing Systems ($20 million), Earthscope ($35 million), and the National Ecological Observatory Network, Phase I ($12 million). No funds are requested in FY2003 for the High-Performance Instrumented Airborne Platform for Environmental Research (HIAPER) or the IceCube R&D project because they have been determined to be of lower priority.

Table 16. Appropriations: National Science Foundation, FY2002-FY2003

(budget authority in billions)

Program	FY2002 enacted	FY2003 request	FY2003 H.R. 5605	FY2003 S. 2797	FY2003 Conf.
Research, related activities	3.598	3.783	4.150	4.132	–
Major research equipment	.139	.126	.160	.079	–
Education, human resources	.894	.908	.911	.948	–
(emergency supplemental, P.L. 107-206)	*.019*	*.000*	*.000*	*.000*	
Salaries and expenses	.170	.203	.194	.182	–
National Science Board	–	–	.000	.004	
Office of Inspector General	.007	.008	.009	.009	–
Subtotal (NSF)	**4.809**	**5.028**	**5.423**	**5.353**	**–**

Source: S.Rept. 107-222; H.Rept. 107-740.

Note: Rounding may cause discrepancies in subtotals.

Education and Human Resources. The FY2003 request for the Education and Human Resources Directorate (EHR) is $908.1 million, a 3.8% increase ($33.1 million) over FY2002. Support at the various educational levels in the FY2003 request is as follows: precollege, $359.6 million; undergraduate, $157.4 million; and graduate, $136.9 million. Support at the precollege level includes $200 million for the Math and Science Partnership (MSP), a cornerstone of the President's education reform agenda. The MSP will provide funding for states and local school districts to join with colleges and universities to strengthen K-12 science and mathematics education.

Funding increases to $27 million for Centers for Learning and Teaching (CLT). The focus of the CLTs will be on developing the next generation of professionals to manage and direct the development of instructional materials, large scale assessments, and education research and evaluation. Support will continue for Systemic Reform Initiatives and Instructional Materials Development. Selected programs at the undergraduate level are Advanced Technological Education, Louis Stokes Alliances for Minority Participation, Scholarship for Service, Historically Black Colleges and Universities-Undergraduate Program, and Tribal Colleges and Universities Program.

An increase of 21.7% in FY2003 for graduate level programs will allow NSF to raise the stipend of graduate fellows and to increase the number of offers to new fellowships. Support at this level is directed at the Graduate Research Fellowship, Graduate Teaching Fellows in K-12 Education, Integrative Graduate Education and Research Traineeships, and Alliances for Graduate Education and the Professoriate. Funding for the Experimental Program to Stimulate Competitive Research (EPSCoR) is $75 million. (An additional $30 million from R&RA will support EPSCoR activities.)

It is anticipated that the H-1B nonimmigrant petitioner fees collected in FY2003 will approximate $92.5 million, $2.5 million above the FY2002 estimate. (P.L. 106-313, The American Competitiveness in the 21st Century Act, stipulates that H-1B receipts be used for computer science, engineering, and mathematics scholarships for disadvantaged students and precollege private and public sector partnerships).

On June 5, 2002, the House passed H.R. 4664 (H.Rept. 107-488), the National Science Foundation Authorization Act of 2002. The bill authorizes appropriations for NSF in FY2003, FY2004, and FY2005. For the R&RA, H.R. 4664 provides $4.138 billion in FY2003, $4.736 billion in FY2004, and $5.446 billion in FY2005. The bill was referred to the Senate Committee on Health, Education, Labor, and Pensions. The Senate version of the NSF authorization was introduced on July 29, 2002. S. 2817, the National Science Foundation Doubling Act, attempts to double the NSF budget over the next five years by authorizing the following appropriations: FY2003, $5.536 billion; FY2003, $6.391 billion; FY2005, $7.378 billion; FY2006, $8.520 billion; and FY2007, $9.839 billion. For the R&RA, S. 2817 provides $4.175 billion in FY2003, $4. 843 billion in FY2004, $5.618 billion in FY2005, $6.517 billion in FY2006, and $7. 559 billion in FY2007.

On July 25, the Senate Appropriations Committee reported S. 2797 (S.Rept. 107-222), VA/HUD and Independent Agencies Appropriations Bill, FY2003. The bill provides a total of $5.353 billion for NSF in FY2003, a 6.3% increase ($317.6 million) above the request and an 11.3% increase ($ 544.9 million) above the FY2002 estimate. S.2797 funds R&RA at $4.132 billion, $348.4 million above the request and $533.3 million above the FY2002 level. The EHR is provided $947.8 million in FY2003, $39.7 million above the Administration's request and $72.8 million above the FY2002 estimate.

On October 10, 20002, the House Committee on Appropriations reported H.R. 5605 (H.Rept. 107-740), VA/HUD and Independent Agencies Appropriations Bill, FY2003. The bill provides a total of $5.423 billion for NSF in FY2003, a 7.7%

increase ($387.1 million) above the Administration's request and a 12.8% increase ($614.4 million) over the FY2002 level. Included in the total support is $4.150 billion for the R&RA and $910.6 million for the EHR.

For additional information on NSF, see: CRS Report 95-307, *U.S. National Science Foundation: An Overview*.

Other Independent Agencies

In addition to funding for VA, HUD, EPA, FEMA, NASA and NSF, several other smaller "sundry independent agencies, boards, commissions, corporations, and offices" will receive their funding through the bill providing appropriations for VA, HUD, and Independent Agencies for the fiscal year that began October 1, 2002.

Agency for Toxic Substances and Disease Registry. This agency, which is placed in the Department of Health and Human Services (HHS), manages the Toxic Substances and Environmental Public Health program, which issues toxicological profiles of possible toxic substances. The Agency conducts health studies, evaluations, or other activities, using biomedical testing, clinical evaluations, and medical monitoring. The agency was funded (via earmark) through EPA's Hazardous Substance Superfund through FY2000. P.L. 106-377 provided a separate line of $75 million for the agency for FY2001, although the Agency continued to be financed through the structure of the Superfund. The Administration proposed, and P.L. 107-73 provided $78.235 million for FY2002, continuing the separate funding line for its appropriations. The conference report requested that adequate funds be used for minority health professions, and for studies of the health effects of consuming Great Lakes fish.

For FY2003, the Administration's requested $77.388 million. S. 2797 recommends an increase over the request to a total of $81 million, and asks for a continuation of the Great Lakes Fish Consumption Study. The bill also would direct the agency to "implement a multi-faceted health study of polychlorinated biphenyl (PCB) exposure in Anniston, Alabama [and] monitor and assess the long-term health status of children, adolescents, and young adults in Herculaneum, Missouri regarding their potential exposure to lead." H.R. 5605 recommends $88.688 million, with $1.8 million to reimburse the agency for 9/11 expenses, and $9.5 million to "...enhance the capacity of the States to respond to chemical terrorism events."

American Battle Monuments Commission. The Commission is responsible for the construction and maintenance of memorials honoring Armed Forces battle achievements since 1917. Included among the Commission's functions are the maintenance of 24 American military cemeteries and 31 memorializations in 15 foreign countries, as well as three large memorials in the United States.

S. 2797 endorses the Administration request of $30.4 million for the Commission for FY2003. H.R. 5605 recommends $35.246 million, with additional amounts to continue planning and construction of the new visitor's center at the site of the D-Day invasion in Normandy.

P.L. 107-73 added $7 million to the Administration's FY2002 request (bringing the total to $35.466 million), in part to complete scheduled but delayed maintenance. Also, $5 million of the added amount was to provide for development of the Normandy visitor's center.

In recent years, the Commission has received considerable attention as the agency that collects funds for the construction of a memorial in Washington, D.C. to honor those who served during World War II. The Commission projects that the World War II Memorial Fund will reach $175 million during FY2002. Congress has given the Commission authority to borrow up to $65 million from the U.S. Treasury to facilitate a more rapid completion of the memorial. P.L. 106-377 appropriated $28 million for the Commission for FY2001.

Cemeterial Expenses, Army. Arlington National Cemetery and the Soldiers' and Airmen's Home National Cemetery are administered by the U.S. Army. By FY2002, 289,494 persons were interred/inurned in these cemeteries. In addition to 6,625 interments and inurnments estimated for FY2003, Arlington is the site of approximately 3,000 other ceremonies, and 4 million visitors, annually. P.L. 107-73 provided $22.537 million for FY2002, continuing with the expansion of Arlington National Cemetery into contiguous land sites previously used for military commands, and to fund another increment of the Columbarium Complex.

S. 2797 endorses the Administration request of $24.445 million for these expenses for FY2003. H.R. 5605 recommends $32.445 million, a $6 million add-on to make repairs to the Memorial Amphitheater at Arlington, and $2 million to speed the expansions of the Cemetery into the contiguous land sites.

Chemical Safety and Hazard Investigation Board. The Board, which was authorized by the Clean Air Act Amendments of 1990, investigates hazardous substance spills or releases. Congress appropriated $7.85 million for FY2002. The Administration requests $7.85 million for FY2003, and S. 2797 endorses that amount.

S.Rept. 107-222 indicates that the Senate Appropriations Committee is "deeply concerned" about management deficiencies outlined in a March, 2002 report by the Federal Emergency Management Agency (FEMA) Inspector General (IG), and instructs the Board to comply with the FEMA IG's recommendations, and submitting annually to that IG a report showing compliance. The House Appropriations Committee is also concerned about management of the Board's management, saying that despite the Committee's "...past warnings against pursuing outreach and data activities from limited funds and has pursued these activities at the expense of overextending its technical staff." H.R. 5605 recommends reducing the requested level of $7.85 million to $6.5 million.

Community Development Financial Institutions fund. The Community Development Financial Institutions (CDFI) Fund was created by P.L. 103-325. The purpose of the Fund is to provide credit and investment capital to distressed urban and rural areas by investing in and supporting community based organizations. The Fund's programs also encourage banks and thrifts to expand their activities in distressed communities. The programs provide training and technical assistance to qualifying financial institutions. In addition, the Fund administers the New Markets Tax Credit program created by P.L. 106-554. Through this program the Fund allocates tax credits as part of an effort to expand incentives for business investment in low-income communities. P.L. 104-19 modified the original Act by giving the Department of the Treasury the authority to manage the CDFI Fund, although the Fund's programs continue to be funded through the VA/HUD bill. The CDFI Fund has survived despite attempts to eliminate it.

The Administration requested $68 million for the Fund for FY2003, $12 million less than the $80 million appropriated for FY2002, which was a decrease of 32% from the $118 million appropriated in FY2001. Included in the FY2002 appropriation was language providing a set-aside of $5 million for Native American, Alaskan Natives, and Native Hawaiian communities.

S. 2797 proposes $73 million for the CDFI Fund for FY2003, adding $5 million to the Administration request. S.Rept. 107-222 recommends a set-aside of $5 million for "grants, loans, and technical assistance and training programs" to assist Native American, Alaskan Natives, and Native Hawaiian communities with capital development and equity investment strategies, citing a Treasury finding that an "investment gap" of $44 billion exists between Native American economies and the overall U.S. economy. H.R. 5605 proposes $80 million for FY2003, the same as the FY2002 appropriation. H.Rept. 107-740 recommends $2 million be designated for Native American, Alaskan Natives, and Native Hawaiian communities.

Consumer Product Safety Commission (CPSC). S. 2797 recommends $56.767 million for the CPSC for FY2003, the same as the Administration requested. H.R. 5605 recommends $57.117 million, taking into consideration salary increases. The Commission is an independent regulatory agency charged with protecting the public from unreasonable product risk and to research and develop uniform safety standards for consumer products. P.L. 107-73 provided $55.2 million to the Commission for FY2002.

Corporation for National and Community Service (CNCS). The Corporation administers programs authorized under the National and Community Service Act of 1990 (NCSA) and the Domestic Volunteer Service Act of 1973 (DVSA). The DVSA programs — e.g., Foster Grandparents Program and Senior Companion Program — are funded under the Labor/HHS Appropriation bill. Authorization for CNCS, and programs and activities authorized by NCSA, expired at the end of FY1996. Since then, continued program authority has occurred through the appropriations process.

In past Congresses, the key issue concerning the Corporation and the NCSA programs has been budgetary survival. Concerns expressed by some Members have included the issues of partisan activities, program costs, and federally funding a "paid volunteer" program. In recent years, concerns were specifically expressed about whether CNCS could be audited and whether the audits were "clean." The Corporation has now received its second consecutive unqualified or "clean" opinion on its financial statements audit.

On April 9, 2002, the President released "Principles and Reforms for a Citizen Service Act," to guide the reauthorization of NCSA and DVSA. On June 12, 2002, the House Committee on Education and the Workforce approved H.R. 4854, the Citizen Service Act of 2002. H.R. 4854 is based on the President's principles for reforming and enhancing these programs.

The Administration's FY2003 budget requested $636 million, including $5 million for the CNCS Office of the Inspector General (OIG). For FY2002, P.L. 107-73 provided total funding of $407.5 million, including $5 million for the OIG. The Senate Appropriations Committee approved $521 million for CNCS, including $6 million for the OIG. For the AmeriCorps Grants program, the Committee approved $290.3 million, an increase of 21% over FY2002 funding of $240.5 million and a decrease of 28% from the budget request of $403.3 million.

The House Appropriations Committee recommends funding only for the OIG ($5 million), consistent with the Committee's practice in recent years. However, Congress has ultimately provided funds for AmeriCorp and other NCSA programs in the final bill, and H.Rept. 107-740 states preferences for how the money should be spent if the practice is repeated with respect to FY2003.

For further information on the Corporation and its programs see: CRS Report RL30186, *Community Service: A Description of AmeriCorps, Foster Grandparents, and Other Federally Funded Programs*, and CRS Report RS21246, *National and Community Service: Reauthorization rf the National and Community Service Act of 1990 and the Domestic Volunteer Service Act of 1973*.

Council on Environmental Quality; Office of Environmental Quality. These two entities are within the Executive Office of the President. The Council oversees and coordinates interagency decisions in matters affecting the environment; the Office provides the professional and administrative staff for the Council. Congress appropriated $2.974 million for these activities for FY2002. The Administration requested $3.031 million for FY2003; S. 2797 and H.R. 5605 endorse the request.

U.S. Court of Appeals for Veterans Claims. The U.S. Court Appeals for Veterans Claims has exclusive jurisdiction to review decisions of the Board of Veterans' Appeals, and has the authority to decide relevant conflicts in the interpretation of law by VA and the Board of Veterans' Appeals. The Court's decisions constitute precedent to guide subsequent decisions by that Board. Congress provided $13.221 million for FY2002; the Administration requested $14.326 million for FY2003. S. 2797 recommends $14.612 million (an adjusted request level) for FY2003. H.R. 5605 recommends $14.326 million, denying funds for the purchase of parking places at the private parking lot in the building which houses the Court.

Federal Consumer Information Center (FCIC). The Center, administered through the General Services Administration (GSA), helps federal agencies distribute consumer information and promotes public awareness of existing federal publications through publication of the quarterly *Consumer Information Catalogue*, and the *Consumer's Action Handbook.*

Congress provided $7.276 million for FY2002, and the Administration requested $12.541 million for FY2003. The increased funding would facilitate the development of a new Office of Civilian Services, which would act as a "portal" through which citizens could access an array of federal information and services, of which the FCIC would be an important part. S. 2797 proposes adding to the request, bringing it to $15 million for FY2003, with the added amounts to begin the process of responding to fax and email inquiries to the FirstGov.gov website, which becomes operational during FY2003. H.R. 5605 recommends $11.541 million.

Federal Deposit Insurance Corporation. The FDIC's Office of the Inspector General is funded from deposit insurance funds, and has no direct support from federal taxpayers. Before FY1998, the amount was approved by the FDIC Board of Directors; the amount is now directly appropriated to ensure the independence of the IG office. P.L. 107-73 included the Administration's estimate of $33.66 million for FY2002; the Administration estimates $30.848 million for FY2003; S 2797 and H.R. 5605 endorse the requested level.

Interagency Council on the Homeless. The Interagency Council on the Homeless (ICH) is an independent agency established by the McKinney-Vento Homeless Assistance Act of 1987, to oversee the efforts of federal agencies and others involved in addressing the issues of homelessness. The Council has been funded through HUD's Homeless Assistance Grants, but the Committee contends that a separate account would achieve the independence entailed by the law creating the Council. The Committee asserts that the Council should develop and lead the effort to end homelessness, and "[i]n order for the ICH to be successful in this endeavor relevant Federal departments and agencies should defer to the ICH on policy and funding proposals that affect homelessness."

The Council received $.5 million for activities in FY2002, and the Administration requested $1 million for FY2003. S. 2797 recommends $1.5 million. The House bill does not include this item in its proposed appropriations.

National Credit Union Administration (NCUA). The NCUA regulates credit unions, administering two primary programs. The Central Liquidity Facility (CLF) is a mixed ownership government corporation established by P.L.95-630 to improve the general financial stability of credit unions by serving as a lender of last resort to credit unions experiencing unusual or unexpected liquidity shortfalls. The Community Development Revolving Loan Fund (CDRLF) was established in 1979 by P.L. 96-123, and provides support to low-income credit unions.

Central Liquidity Facility. The CLF is owned by its member credit unions and it is managed by the National Credit Union Administration. The CLF can finance loans using its assets and it can also borrow from the Federal Financing Bank to meet liquidity demands. The borrowing limit is specified by language in the VA-HUD appropriation bill. Congress also determines the level of CLF operating expenses, which are not funded through appropriations but by earned income. The Administration requested a $1.5 billion limit on CLF borrowing authority for FY2003, the same level approved by P.L. 107-73 for FY2002. S. 2797 and H.R. 5605 both endorse that limit. Both bills recommend the budget request of not more than $309,000 for operating expenses in FY2003, the same level approved for FY2002.

Community Development Revolving Loan Fund. The CDRLF has been administered by the National Credit Union Administration since 1987. The Fund makes low-interest loans and technical assistance grants to low-income credit unions. The Administration requested $1 million for the Fund for FY2003, the same level approved by P.L. 107-73 for FY2002. S. 2797 and H.R. 5605 both endorse that proposed level.

National Institute of Environmental Health Sciences. This Institute is within the National Institutes of Health, administered by the Department of Health and Human Services (HHS). P.L. 107-73 included $70.2 million for FY2002; subsequent to the events of September 11, Congress added $10.5 million in supplemental emergency funds, for "worker training, education, and research" activities bring the total enacted level to $80.728 million. The Administration requested $74.471 million for FY2003. S. 2797 has recommended $76.074 million, with the additional amount expected to be added to amounts for training and education of workers who may be engaged in hazardous waste removal or containment, or emergency responses. H.R. 5605 recommends $84.074 million, which includes additional amounts above the request for worker training and research programs related to the terrorist attacks of 9/11.

Neighborhood Reinvestment Corporation (NRC). The NRC leverages funds for reinvestment in older neighborhoods through community-based organizations called Neighbor Works. Among projects supported by the financing activities of the NRC are lending activities for home ownership of low-income families. Nationwide, there are 184 of these organizations, serving 825 communities in 45 states, with 70% of the people served living in very low and low-income brackets.

P.L. 107-73 provided $105 million for FY2002, including an Administration proposal that the NRC become more involved in combining Section 8 housing assistance, counseling, conventional mortgages, and NRC revolving funds to help low-income families to purchase their own homes, and designating $10 million to support the Section 8 home ownership program. The conference agreement also endorsed the Corporation's efforts to expand the available stock of "mixed-income" affordable rental housing through the use of "mutual housing," as well as acquisition and preservation of existing units. The Corporation was directed to provide a detailed accounting of how many families are being helped through the activities of the Corporation's program to expand affordable housing.

The Administration requested $105 million for FY2003, to continue NRC efforts to stimulate low-income home ownership. S. 2797 recommends $110 million, with the $5 million added to the request to be set aside to continue with the NRC's multi-family rental housing initiative, citing evidence that 110 "extremely low-income people" received the benefit of new multi-family housing units resulting through the initiative. H.R. 5605 endorses the request of $105 million.

Table 17. Appropriations: Other Independent Agencies, FY2002-FY2003

(budget authority in billions)

Program	FY2002 enacted	FY2003 request	FY2003 H.R. 5605	FY2003 S. 2797	FY2003 Conf.
Agency for Toxic Substances and Disease Registry	.078	.078	.089	.081	–
American Battle Monuments Commission	.035	.030	.035	.030	–
Chem. Safety and Hazard Investigations Board	.008	.008	.007	.008	–
Cemetery Expenses, Army	.023	.024	.032	.024	–
Community Development Financial Institutions	.080	.068	.080	.073	–
Consumer Product Safety Comm.	.055	.057	.057	.057	–
Corporation for National and Community Service[a]	.407	.636	.005	.521	–
Council, Environ. Quality; Office, Environ. Quality	.003	.003	.003	.003	–
Court of Appeals for Veterans Claims	.013	.015	.014	.015	–
Fed. Consumer Inform. Center	.007	.013	.012	.015	–
Federal Deposit Insurance Corporation (transfer)	*(.034)*	*(.031)*	*(.031)*	*(.031)*	–
Interagency Council on Homeless	.000	.000	.000	.002	
National Credit Union Admin.	.001	.001	.001	.001	–
National Institute, Environmental Health Sciences	.070	.074	.084	.076	–
Emergency Supplemental	.011	.000	.000	.000	–
Neighborhood Reinvestment Corporation	.105	.105	.105	.110	–
Office, Science &Tech.	.005	.005	.006	.005	–
Selective Service System	.025	.026	.026	.026	–
Subtotal: Other agencies	**0.926**	**1.144**	**0.557**	**1.047**	**–**

Source: S.Rept. 107-222; H.Rept. 107-740.

Note: Rounding may cause discrepancies in subtotals.

[a] Totals for CNCS include $5 million, specified for the Corporation's Office of Inspector General, for each fiscal year.

Office of Science and Technology Policy. The Office of Science and Technology Policy coordinates science and technology policy for the White House. The Office provides scientific and technological information, analysis and advice to the President and the executive branch, and reviews and participates in the formulation of national policies affecting those areas. Congress provided $5.267 million for the Office for FY2002, and directed the Office to make a priority its effort to clarify the International Traffic in Arms Regulation. The Administration requested $5.368 million for FY2003.

S. 2797 endorses the request, and S.Rept. 107-222 elaborates a Committee view that more needs to be done to coordinate interagency research to focus attention on environmental concerns, technological development, the balance between the physical sciences and engineering, and the effort to encourage more students to increase academic concentrations in the science and engineering fields. H.R. 5605 recommends $5.75 million, with the additional amounts to be used for unfunded salary increases.

Selective Service System (SSS). The Administration requested $26.48 million for this function for FY2003. S. 2797 and H.R. 5605 endorse the requested level. Congress appropriated $25.003 million for FY2002. The SSS was created to supply manpower to the U.S. Armed Forces during time of national emergency. Although since 1973, the Armed Forces have recruited personnel through voluntary enlistment incentives, the SSS remains the primary vehicle for conscription should it become necessary. In 1987, the SSS was given the task of developing a post-mobilization health care system that would assist with providing the Armed Forces with health care personnel in time of emergency.

Selected World Wide Web Sites

Federal Consumer Information Center (FCIC) [http://www.pueblo.gsa.gov] and [http://www.info.gov/]

Environmental Protection Agency (EPA), Summary and Justification of Budget.
[http://www.epa.gov/ocfopage]

Corporation for National and Community Service
[http://www.cns.gov/]

Department of Housing and Urban Development (HUD).
[http://www.hud.gov]

Federal Emergency Management Agency (FEMA)
[http://www.fema.gov]

National Aeronautics and Space Administration (NASA).
[http://www.hq.nasa.gov]

National Science Foundation (NSF).
[http://www.nsf.gov]

Office of Management and Budget (OMB).
[http://www.whitehouse.gov/omb/]

Department of Veterans Affairs (VA).
[http://www.va.gov]

Additional Reading

CRS Report RL30803, *Veterans Issues in the 107th Congress,* by Dennis Snook.

CRS Report RL30916, *Housing Issues in the 107th Congress*, by Richard Bourdon.

CRS Report RL30486, *Housing the Poor: Federal Programs for Low-Income Families,* Morton J. Schussheim.

CRS Report RL30589, *HOPE VI: The Revitalization of Severely Distressed Public Housing,* by Susan M. Vanhorenbeck.

CRS Report RS20704, *Housing Opportunities for Persons with AIDS(HOPWA)* by M. Ann Wolfe.

CRS Report RL30442, *Homelessness: Recent Statistics and Targeted Federal Programs*, by M. Ann Wolfe.

CRS Report RS20670, *Temporary Suspension of New Mortgages under the FHA General and Special Risk Insurance Funds,* Bruce E Foote.

CRS Issue Brief IB10078, *Superfund and the Brownfields Issue in the 107th Congress*, Mark Reisch.

CRS Report 98-323, *Wastewater Treatment: Overview and Background,* by Claudia Copeland.

CRS Issue Brief IB10101, *The Environmental Protection Agency's FY2003 Budget*, by Martin R. Lee.

CRS Report RL31359, *Federal Emergency Management Agency Funding for Homeland Security and Other Activities*, by Keith Alan Bea.

CRS Report RS20736, *Disaster Mitigation Act of 2000 (P.L. 106-390): Summary of New and Amended Provisions of the Stafford Disaster Relief Act,* by Keith Alan Bea.

CRS Report 95-307, *U.S. National Science Foundation: An Overview,* by Christine M. Matthews R. Lee.

CRS Report RL30186, *Community Service: A Description of AmeriCorps, Foster Grandparents, and Other Federally Funded Programs,* by Ann M. Lordeman.

CRS Report RL31037, *The National Aeronautics and Space Administration's FY2002 Budget Request: Description and Analysis,* by Richard E. Rowberg, and Marcia S. Smith.