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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. 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. The signing of P.L. 108-7 completed action on FY2003 appropriations, including funding for 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).

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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

President signs omnibus appropriations act (P.L. 108-7). *On February 20, 2003, President Bush signed the omnibus appropriations bill (H.J.Res. 2), thereby bringing to a close appropriations actions to fund agencies whose funding had been dependent on resolutions to continue spending at FY2002 levels.*

Congress completes work on FY2003 appropriations. *With adoption of the Conference Report (H.Rept. 108-10) to H.J.Res. 2 on February 13, 2003, Congress finished work on FY2003 appropriations.*

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.*

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 H.J.Res 2		Signed P.L. 108-7
House	Senate						House	Senate	
10-7-02	7-23-02	10-9-02	–	7-25-02	–	H.Rept. 108-10	2-13-03	2-13-03	2-20-03

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	FY2003 request	FY2003 House	FY2003 Senate	FY2003 Confer.
Department of Veterans Affairs	52.379	56.939	58.131	58.090	58.017
Department of Housing and Urban Development	32.193	31.349	31.346	32.083	31.245
Environmental Protection Agency	8.079	7.621	8.204	8.299	8.132
Federal Emergency Management Agency	10.536	6.704	3.612	4.435	2.851
National Aeronautics and Space Administration	14.902	15.000	15.300	15.200	15.414
National Science Foundation	4.809	5.028	5.423	5.353	5.345
Other Independent Agencies	0.926	1.144	0.557	1.047	.923
Grand Total: Appropriations	**123.824**	**123.785**	**122.573**	**124.507**	**121.927**

Source: For House, H.Rept. 107-740; for Senate and Conference, Congressional Record, February 13, 2003.

Note: Totals will not add due to rounding at agency level. Totals for FY2002 include emergency supplementals. The enacted levels for FY2003 are for reported levels, and do not reflect the varied effects at the account level of an across-the-board cut to discretionary spending included before final passage of H.J.Res. 2.

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.

Title I: Department of Veterans Affairs

Spending for VA Programs

FY2003. The President requested $56.94 billion for the Department of Veterans Affairs (VA) for FY2003, according to the latest Congressional estimates contained in the Conference Report (H.Rept 108-10) to H.J.Res 2, the omnibus appropriations bill for FY2003 (P.L. 107-7). P.L. 107-7 provides $58.02 billion for VA programs for the fiscal year ending September 30,2003, including $31.58 billion in mandatory spending for VA entitlements, and $26.44 billion for discretionary programs, $23.9 billion of which is for medical care for veterans. In action leading to the conference, the Senate had proposed a total of $58.04 billion for VA, and the House had used the amount it had approved during the latter stages of the 107th Congress, $58.1 billion.

S. 2797 (107th Congress). The Senate Committee on Appropriations had reported S. 2797 (S.Rept. 107-222), FY2003 appropriations for VA, HUD, and Independent Agencies. The Committee's bill included $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 have been $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 was to 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 (107th Congress). On October 10, the House Committee on Appropriations submitted its report for H.R. 5605. The House bill provided a total of $58.1 billion for VA, including $26.6 billion in discretionary funds. The bill provided 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 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.[1] 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 previous payment of $800 per month for 36 months for a participant completing a 3-year enlistment o rose to $900 per month on October 1, 2002, and will rise to $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, 65,000 will receive vocational assistance, and 81,000 will receive assistance with preparing for and taking licensing and certification tests.

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[1] For 2003 the annual basic level for an eligible single veteran is $9,690; with 1 dependent, $12,692; and each additional dependent, $1,653. Additional amounts are available for eligible veterans who are housebound, or in need of aid and attendance.

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 provided 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 were predicted to 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 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.

P.L. 108-7. Congress provided $23.9 billion for VA medical care for FY2003, the same amount previously approved by both the House and Senate Committees on Appropriations, $2.6 billion over FY2002, and $1.1 billion above the amount requested. In its report to accompany the draft bill (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. P.L. 108-7 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 and a projected combined MCCF/HSIF yield of $1.386 billion for FY2003.

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.

P.L. 108-7 $400 million for VA medical research. 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.

However, VA analysts have been 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 were 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. 108-10, 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. P.L. 108-7 provides $100 million for major construction, and $226 million for minor construction projects. The Administration had 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.

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 House	FY2003 Senate	FY2003 Confer.
Comp., pension, burial[a]	26.044	28.949	28.949	28.949	28.949
Insurance/indemnities	.026	.028	.028	.028	.028
Housing programs	.204	.339	.339	.339	.339
Readjustment benefits	2.135	2.265	2.265	2.265	2.265
Subtotal: Mandatory	*28.409*	*31.581*	*31.580*	*31.580*	*31.580*
Medical care[a,b]	21.473	22.744	23.889	23.889	23.889
Med., prosthetic research	.371	.394	.405	.400	.400
Medical administration	.067	.070	.075	.070	.075
General operating exp.	1.198	1.256	1.251	1.256	1.254
Admin. expense (hsng.)	.166	.169	.169	.169	.169
Nat'l Cemetery Admin.	.121	.133	.133	.133	.133
Inspector General	.052	.055	.061	.055	.058
Construction, major	.183	.194	.194	.145	.100
Construction, minor	.211	.211	.241	.211	.226
Grants; state facilities	.100	.100	.100	.100	.100
Parking, revolving fund	.004	.000	.000	.000	.000
State veteran cemeteries	.025	.032	.032	.032	.032
Subtotal: Discretionary	*23.971*	*25.358*	*26.550*	*26.460*	*26.436*
Subtotal: (VA)	**52.379**	**56.939**	**58.131**	**58.090**	**58.017**

Source: H.Rept. 108-10.

Note: Totals for FY2002 include supplementals. The FY2003 levels shown for the Senate and enacted versions of the bill do not reflect required cuts to most discretionary programs that were adopted to hold the bill's total cost within specified limits.

[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. P.L. 108-7 provides $1.254 billion for General Operating Expenses (GOE) for FY2003, and $75 million for medical administration. The Administration had requested $1.256 billion, and $70 million for medical administration. Congress 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 project an overall VA employment 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 was in medical staff, which VA projected would average 179,300 during FY2002.

Accrual Accounting. Part of the Administration's budget estimate of a $4.4 billion increase in total VA spending for FY2003 did 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 have resulted 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 would not affect employees' benefits in any way, nor would it have a direct impact on taxpayers. These changes in accounting require legislation, and Congress did not include them in P.L. 108-7.

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.

Highlights of HUD Budget for FY2003 - P.L. 108-7

- FY2003 budget of $31.2 billion, up $1.1 billion from FY2002 (but this does not include an across-the-board rescission of 0.65%) ;
- Housing Certificate Fund increased $1.6 billion to $17.2 billion – renewal of all expiring Section 8 rental contracts;
- No incremental housing choice vouchers;
- Public Housing Operating Fund increased by $105 million to $3.6 billion, but includes use of $250 million to cover FY2002 shortfall;
- Administration's Initiative to convert public housing units to Section 8 project-based assistance rejected;
- HOME up by $154 million to $2.0 billion, with $75 million set-aside for Administration's downpayment assistance initiative;
- Homeless assistance up by $102 million to $1.23 billion; and
- Lead Hazard Control program increased 60% to $176 million.

Summary: FY2003 Appropriations for HUD Programs.

P.L. 108-7 provides HUD with $31.2 billion, an increase of $1.1 billion over the FY2002 level (if $2 billion for New York City recovery efforts provided through the Community Development Block Grant program in FY2002 are not included in the FY2002 base). The conferees agreed to $17.2 billion for the Housing Certificate Fund, HUD's largest program (frequently referred to as "Section 8"), about $1.6 billion more than enacted in FY2002. While this is a 10% increase in HUD's largest program, it includes no "incremental vouchers" (that is, no increase in the number of renters assisted). This is largely because of significant increases in rent levels across the county - it takes more funding simply to assisted the same number of renters. Neither the Administration's proposed budget, nor the final version of

H.J.Res. 2, included funds for the 4.9 million very low-income renter households that pay more than 50% of their income for shelter or who live in substandard housing, but who receive no federal assistance. These households are often referred to as "worst case" renters.

The Section 8 formula funding change recommended by the House Appropriations Committee that some housing advocacy groups feared would result in up to 125,000 fewer vouchers being funded than currently, was not included in the adopted budget. In addition, while H.R. 5605 contained provisions to slow increases in Section 8 administrative costs and to limit the amount of unspent Section 8 administrative fees that Public Housing Authorities (PHAs) have accumulated, these were not adopted by the conferees. Some Section 8 formula funding changes and restrictions on administrative fees were included in the enacted budget - and are discussed below.

The conferees approved $2.7 billion for the Public Housing Capital Fund, about $300 million more than the Administration request, but $113 million below the FY2002 funding level. The Administration's controversial Public Housing Reinvestment Initiative to encourage PHAs to convert some public housing units to Section 8 project-based assistance was rejected. Under this initiative, PHAs would pledge the project-based revenue as collateral for rehabilitation loans. But the conferees rejected the reinvestment initiative, and directed HUD to report to the Appropriations Committees about PHAs that have already obtained private financing for their capital needs.

The conferees increased the Public Housing Operating Fund $105 million above the FY2002 level to $3.6 billion. However, HUD would be allowed to use this appropriation to cover a controversial $250 million shortfall for FY2002 that the agency blames on flaws in its accounting system. Some in Congress have expressed concern that taking FY2003 funds to pay for the FY2002 shortfall, rather than HUD requesting a supplemental appropriation, means, in effect, $250 million less for the program in FY2003 than the Administration's initial request. This, they say, comes on top of other recent cuts to the Public Housing program, including the end of the $310 million a year Drug Elimination program.

The HOPE VI program, that is used to rehabilitate or tear down the worst public housing units, received $574 million for FY2003, the same as the Administration request, the House and Senate recommendations, and the same as provided for FY2002. (The Administration's FY2004 proposal calls for the elimination the HOPE VI program.)

The conferees provided the Community Development Block Grant (CDBG) program with appropriations of $4.94 billion, about $60 million less than the $5 billion enacted for FY2002. This included $4.4 billion for block grants and $261 million for individual earmarks under the Economic Development Initiative (despite opposition again to these earmarks by the Administration). The conferees rejected the Administration's Colonia Gateway Initiative to reduce grants to the wealthiest 1% of communities and use the savings to fund a program of affordable housing and economic opportunity in "colonias" - communities within 150 miles of the U.S. Mexican boarder that are often described as having "third world" living conditions.

P.L. 108-7 provides $2 billion for the HOME block grant program, an increase of about $154 million than the funding in FY2002. There is a $75 million set-aside for the Administration's Downpayment Assistance Initiative, although less than the $200 million requested. The $40 million set-aside for housing counseling is double the amount approved for FY2002.

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. The conferees agreed to $783 million for housing for the elderly, equal to last year's appropriation. Housing for the disabled received $250.5 million, up by nearly $10 million. Housing opportunities for persons with AIDs was funded at $292 million, and increase of about $15 million from the previous year.

HUD proposed to spend $1.13 billion on programs for the homeless, about level with funding during the previous 2 years. Secretary Martinez has made ending chronic homelessness in the next 10 years a top priority. The conferees agreed to $1.23 billion, $102 million more than enacted in FY2002 and $95 million more than the Administration's request.

The conferees rejected the Administration's request to eliminate funding for the Office of Rural and Economic Development, funding it at $25 million, the same as in FY2002.

The House recommended $126 million for the control and removal of lead-based paint, and the Senate, $201 million. The conferees agreed on $176 million, $66 million more than enacted in FY2002. To address continuing discrimination in the rental and sale of housing and associated financing, the conferees approved $45.9 million for Fair Housing programs, the same as recommended by the House and Senate, and level with FY2002 funding.

HUD's Federal Housing Administration (FHA) mortgage insurance program continues to operate 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 conferees agreed with the Senate regarding submission of a report to the Committees on Appropriations on further actions which could be taken to protect homeowners and communities experiencing high rates of defaults and foreclosures on FHA-insured loans, and directs that this report be provided to the appropriators by June 2, 2003.

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 was $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, went to renew all Section 8 expiring contracts, add an additional 25,900 vouchers, and pay for contract administration and various tenant protection assistance. The approved $30.15 billion is in addition to $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, was 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. 108-10, 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.[2]

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.[3] 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

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

[3] *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.

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 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.[4]

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

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

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.

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."[5]

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

[5] 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.

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 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.[6] 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

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

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 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 House	FY2003 Senate	FY2003 Confer.
Housing certificate fund	15.641	17.527	16.587	16.929	17.224
Appropriation	*11.441*	*13.327*	*12.387*	*12.729*	*13.024*
Advance appropriation	*4.200*	*4.200*	*4.200*	*4.200*	*4.200*
Sect. 8 recapt. (rescission)	-1.200	-1.100	-1.300	-1.400	-1.600
P.L. 107-206 rescission	-.389	–	–	–	–
Public housing capital fund	2.843	2.426	2.843	2.683	2.730
Public hsng. operating fund	3.495	3.530	3.600	3.530	3.600
Revitalization of distressed public housing (HOPE VI)	.574	.574	.574	.574	.574
Native American housing block grants	.649	.657	.649	.649	.649
Indian housing loan guar.	.006	.005	.005	.005	.005
Native Hawaiian loan guar.	.001	.001	.001	.001	.001
Hsng., persons with AIDS	.277	.292	.292	.292	.292

Program	FY2002 Enacted	FY2003 Request	FY2003 House	FY2003 Senate	FY2003 Confer.
Rural Hsng; Econ. Devel.	.025	.000	.025	.025	.025
Empowerment zones; enterprise communities	.045	.000	.030	.030	.030
Comm. Develop. Blk.Grant	5.000	4.716	5.000	5.000	4.937
Comm. Develop. Fund (emergency supplement.)[a]	2.783	.000	.000	.000	.000
Sec.108 loan guar.; subsidy	.015	.007	.007	.015	.007
Brownfields redevelop.	.025	.025	.025	.025	.025
HOME Invest. Partnerships	1.846	2.084	2.221	1.950	2.000
P.L. 107-206 rescission	-.050	.000	.000	.000	.000
Homeless Assist. Grants	1.123	1.130	1.250	1.215	1.225
Hsng, special populations	1.024	1.024	1.100	1.034	1.034
Housing for the elderly	*.783*	*.774*	*.841*	*.783*	*.783*
Housing for the disabled	*.241*	*.251*	*.259*	*.251*	*.251*
Hsg. counseling assistance	.000	.035	.000	.000	.000
Rental housing assistance (rescissions)	-.300	-.100	-.100	-.100	-.100
Fed. Housing Admin.(net)[b]	-1.671	-2.207	-2.207	-2.207	-.2.207
GNMA (net)[c]	-.373	-.348	-.348	-.348	-.348
Research and technology	.050	.047	.047	.047	.047
Fair housing activities	.046	.046	.046	.046	.046
Office, lead hazard control	.110	.126	.126	.201	.176
Salaries and expenses	.556	.510	.530	.510	.530
Inspector General	.067	.074	.073	.074	.074
Working capital fund	.000	.276	.276	.277	.277
Rescissions; legislative savings; supplemental	-.025	-.008	-.008	-.008	-.008
Totals: HUD					
appropriations	*27.165*	*28.357*	*28.554*	*28.457*	*28.753*
emerg. supplement.; total	*2.784*	–	–	–	
rescissions; total	*-1.956*	*-1.208*	*-1.408*	*-1.508*	*1.708*
advance appropriations	*4.200*	*4.200*	*4.200*	*4.200*	*4.200*
Subtotal (HUD); net	**32.193**	**31.349**	**31.346**	**31.149**	**31.245**

Source: H.Rept. 108-10.

Note: Totals for FY2002 include supplementals. The FY2003 levels shown for the Senate and enacted versions of the bill do not reflect required cuts to most discretionary programs that were adopted to hold the bill's total cost within specified limits.

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

[b] 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.

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

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 and tenant-based (vouchers) low-income rental housing subsidies. Each year, the HCF total budget is comprised of a direct appropriation from Congress as well as any recaptured funds from previous years.

The Administration requested $17.5 billion in direct appropriation for the Housing Certificate Fund in FY2003, an almost $2 billion increase over the FY2002 direct appropriation of $15.6 billion. In addition, the HUD FY2003 budget justification estimated an available carry-over balance of $640 million in Section 8 reserve funds from previous years, which would bring the HCF budget total, including the HUD estimate of carry-over funds and the direct appropriation, to $18.1 billion.

H.R. 5605, the committee-passed version of the FY2003 HUD appropriations bill from the 107th Congress, recommended a direct appropriation of $16.6 billion for the HCF for FY2003, $900 million less than the Administration's request. The committee estimated HUD's carry-over balances at $1.8 billion, almost $1.2 billion higher than HUD's estimate. The reduced direct appropriation, added to the increased estimate in carry-over balances would have brought the total HCF budget level to $18.4 billion in FY2003, $200 million higher than the HUD estimate.

The Senate-passed version of H.J.Res. 2, the FY2003 consolidated omnibus appropriations legislation, recommended a direct appropriation of $16.9 billion for the Housing Certificate Fund in FY2003, approximately $600 million less than the Administration's request. The bill did not specify an amount of carry-over balances available to HUD for the HCF; however, the FY2004 HUD budget appendix indicates that HUD has approximately $1.738 billion available in carry-over funds from previous years, in addition to the $1.1 billion HUD estimated that it had available for rescission in FY2003. In addition to the provision of a direct appropriation, the Senate-passed version of H.J.Res. 2 included language specifying that the Secretary of HUD would have the authority to draw down "such sums as necessary" from the Treasury to fully renew all authorized vouchers, if reserved and recaptured funds have been exhausted. CBO scored this provision as having no cost because, given the direct appropriation as well as the higher-than-expected amount in carry-over balances, under the Senate-passed version of H.J.Res. 2, HUD would have more than sufficient funds to meet its obligations.

The final version of H.J.Res. 2, the Consolidated Appropriations Resolution of 2003 (P.L. 108-7), provided HUD with $17.2 billion in direct appropriations for the HCF. This amount is over $300 million less than the administration requested for the HCF in FY2003. Again, in addition to this amount, HUD has access to carry-over balances available from previous years, now estimated at $1.738 billion. P.L. 108-7 did not provide the Secretary with the authority to draw down additional funds from the Treasury.

A note about advance appropriations. For the past several years, the HCF appropriation has consisted of two parts; an appropriation available in the named fiscal year and an advance appropriation of $4.2 billion which is not available until the next fiscal year. For example, in FY2003, P.L. 108-7 provides $17.2 billion for the HCF. Of that amount, $13 billion is available in FY2003 and $4.2 billion does not become available until FY2004. However, the total for the HCF in FY2003 includes $4.2 billion in advance appropriation that was provided in the *FY2002* appropriation, but did not become available until the beginning of FY2003. Thus, the total HCF budget (not including recaptured funds) is comprised of the $13 billion in appropriations for FY2003 that is available in FY2003, added to the $4.2 billion from FY2002 that was not available until FY2003, totaling $17.2 billion, but does not include the $4.2 billion that was appropriated in FY2003 but will not become available until FY2004.

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. The two main forms of Section 8 assistance are: tenant-based rental assistance, or vouchers, which are portable subsidies that are tied to families; and project-based rental assistance, which is a form of rental subsidies tied to specific housing units. Approximately 3 million families will be assisted under Section 8 in FY2003.

The largest portion of the Administration's request for the HCF was $16.9 billion in new budget authority for funds to renew expiring Section 8 rental contracts in FY2003. This amount would be used for the renewal of approximately 817,000 existing project-based units and the renewal and associated administrative costs of 2.1 million existing tenant-based units in FY2003, a total of almost 3 million vouchers that have been authorized over the years.

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

The House bill from the 107th recommended $14.615 billion for Section 8 contract renewals in FY2003. Of this amount, $10.278 billion was 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 was to be used for the renewals of project-based units. This estimate was based on the cost of fully funding *all* authorized project-based units, but only funding the percentage of authorized tenant-based vouchers that were *under lease* as of local public housing authorities' (PHA) last financial statement. This amount does not include the administrative costs of the tenant-based rental assistance program.

Since a PHA's budget for renewal costs, under the House proposal, would have been based on the number of units the PHA was leasing as of its last year end financial statement (which can be 1-1.5 years old), it is possible that if the PHA's leasing rate had improved since that statement, the funds provided would be insufficient to meet actual renewal costs. In such a case, the House proposal assumed that PHAs could use Section 8 program reserves (which the committee estimated at $938 million) to cover the renewal costs of any additional vouchers not reflected on their most recent financial statements. Should a PHA's reserve be inadequate to cover these additional voucher renewals, a new central reserve fund was authorized in the bill which could have provided funding to PHAs at the discretion of the Secretary of HUD. The bill would have provided $280 million for the central reserve fund.

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

The Senate-passed version of H.J.Res. 2 proposed to fully fund the renewal of all reserved vouchers, both project-based and tenant-based. The bill specified $11.676 billion for the renewal and associated administrative costs of tenant-based vouchers and authorized a central fund of $400 million, similar to the central fund proposed by the House, to be used by the Secretary for voucher contract renewals and changes. The Senate bill also provided the Secretary with the authority to draw down "such sums as necessary" from the Treasury to renew all expiring voucher contracts. The Senate proposal directed HUD to fully fund all vouchers a PHA is authorized to lease, but to contract with PHAs only for the amount of vouchers that they can reasonably be expected to use in the next year, based on *current* utilization and administrative practices (rather than on *prior* year's utilization, as in the House bill). In order to prevent a building up into unobligated balances of the difference between the amount needed to fully fund all vouchers a PHA is authorized to lease and the amount the PHA is actually using, the Senate bill included language directing the Secretary to fully implement an existing process for recapturing unused vouchers from PHAs with low utilization rates and reallocating those vouchers to PHAs with high utilization rates; the bill sets out statutory guidance for doing so.

The Senate-passed version of H.J.Res. 2 did not provide separate funding for Family Self-Sufficiency Coordinators. Funding for FSS Coordinators, under this bill, is considered a part of funding under contract renewals.

The final version of H.J.Res. 2, P.L. 108-7, provided $15.3 billion in direct appropriations for the HCF. Of this amount, $10.9 billion is to be used for the renewal costs (but not administrative costs, which are provided separately) of expiring tenant-based vouchers and the remainder is to be used for project-based vouchers. In addition, the law provides a $392 million central reserve. This combined amount is sufficient, according to the Conference Report, to fund all authorized vouchers. As in the House bill, PHA budgets will be determined based on their last financial statement, however, in this proposal, that number is to be adjusted to reflect any pertinent information that would indicate an increase in utilization. In addition, PHAs will still have the authority to lease up to their authorized number of vouchers.

Under P.L. 108-7, funding for Family Self Sufficiency coordinators is set at $48 million and is provided separately from contract renewals.

Section 8 Incremental Vouchers. The term "incremental" is used to describe new vouchers. The President's budget request included $204 million to fund approximately 34,000 incremental vouchers in FY2003. These vouchers were to 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 was targeted for specific use vouchers such as assistance for homeless veterans, assistance for families on the road to self-sufficiency and as down payment assistance for homeownership. The Bush Administration strongly supports the use of Section 8 vouchers as down payment 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 earmarked $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 was 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 was expected to fund approximately 6,000 vouchers which would help integrate non-elderly disabled individuals into mainstream privately-owned housing.

The House bill, H.R. 5605, provided $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. In addition to the $36 million provided, under H.R. 5605, the Secretary could also use funds from the central reserve account to provide PHAs who have a 97% utilization rate or above 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 were given to a PHA and additional vouchers were not put under lease within 180 days, the Secretary would recapture the unused vouchers for reallocation to other eligible PHAs. Language in the bill would have limited the additional voucher assistance provided to an individual PHA to not more than 10% of the total funds available.

Neither the Senate-passed version of H.J. Res.2 or the final version, P.L. 108-7, provided any new incremental vouchers.

Tenant Protection Vouchers. The President's budget requested $260 million for tenant protection vouchers and their associated administrative costs in FY2003. HUD estimated 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, provided $234 million for tenant protection vouchers. Funds provided under this account were only to be used for rental subsidies and not for administrative expenses associated with the vouchers. These vouchers were designated 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 were not to be used to provide vouchers under the HOPE VI program, as funds for this purpose are provided within the HOPE VI account.

The Senate-passed version of H.J.Res. 2 did not provide a specific amount for tenant protection vouchers.

The final version of H.J.Res. 2, P.L. 108-7, provides $234 million for the relocation and replacement of housing units that have been demolished or disposed of, the conversion of Section 23 projects, the family unification program, the relocation of witnesses in the witness protection program, enhanced vouchers and tenant protection assistance including replacement and relocation assistance. This amount does not include associated administrative costs, which are provided for elsewhere in the bill.

Section 8 Administrative Costs. The Administration's budget request provided $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 tenant-based rental assistance, incremental vouchers and tenant protection vouchers was included in the funding requests for those programs.

The House bill, H.R. 5605, provided $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. Of that $1.177 billion, the bill states that $50 million is for the administrative costs of incremental vouchers for the disabled, new tenant protection vouchers, and vouchers 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. It has been estimated that administrative costs now account for almost 10% of the cost of a voucher. Furthermore, concern has been raised over the amount of unspent administrative fees that PHAs have accumulated in reserves. In order to curb rising administrative costs as well as prevent the build-up of unspent administrative fee reserves by PHAs, the Committee included language in the bill which would have limited administrative fees and other expenses associated with the Section 8 voucher program to no more than 10% of the rental subsidy paid, and also restricted the use of funds in the reserve to activities related to the provision of rental assistance under the Section 8 program. The Committee 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-passed version of H.J.Res. 2 also provided $196 million for Section 8 project-based contract administration. Funding to cover the administrative costs of the Section 8 voucher program was included within the amount provided for contract renewals.

P.L. 108-7, the final version of H.J.Res. 2, provided $196 million for Section 8 project-based contract administration and $1.072 billion for administrative fees associated with tenant-based Section 8, tenant protection vouchers and the costs associated with supporting vouchers from the central reserve fund. While this bill did not adopt a new formula for calculating administrative fees for tenant-based Section 8, as proposed in the House bill, it did adopt a new policy regarding fee reserves. If, as of January 31, 2003, a local public housing authority has more than 105% of the amount it earned in administrative fees for 2002 in its administrative fee reserves, it will have to apply that excess to pay for its 2003 administrative fee, thus reducing the amount it receives from HUD. Furthermore, the bill states that from FY2003 on, the Secretary must recapture any administrative fees which are in excess of the amount spent by the agency on Section 8 tenant-based rental assistance and not needed to maintain an administrative fee reserve account balance of up to 5%. Agencies with less than $100,000 in earned administrative fees for 2003 were exempted from these provisions.

Rescissions. The Administration's request assumed a rescission of $1.1 billion from the Section 8 fund in FY2003. The House Committee recommended a rescission of $1.3 billion. The Senate-passed version of H.J.Res. 2 included a rescission of $1.4 billion, but the final rescission level, from P.L. 108-7 totaled $1.6 billion for FY2003.

Table 7 shows a breakdown of the HCF based on figures from the HUD budget justification, H.Rept. 107-140, the Congressional Record, 1/28/2003 S1512-1642 (for the Senate-passed version of H.J.Res. 2) and the Conference Report, H.Rept. 108-10 for P.L. 108-7.

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

($ in billions)

Housing Certificate Fund	FY2003 request (HUD Est.)	FY2003 request (Cong. Est.)	FY2003 H.R. 5605	FY2003 H.J.Res. 2 (Senate version)	FY2003 H.J.Res. 2 (Final version) P.L. 108-7[a]
Appropriation[b]: Housing Certificate Fund	**17.527[c]**	**17.527[c]**	**16.587[c]**	**16.929[cd]**	**17.224[c]**
HCF Break Down[e]					
Tenant-Based Renewals:					
Voucher Costs	-	-	10.278	11.676	10.941
Central Reserve	-	-	0.280	0.400	0.392
Administrative Fees	-	-	1.147[f]	-	1.046[f]
Subtotal	**12.474**	**-**	**11.705**	**12.076**	**12.379**
Incremental Vouchers:					
Fair-Share	0.158	-	0	0	0
Olmstead Decision	0.006	-	0	0	0
Non-Elderly Disabled	0.040	-	0.036	0	0
Administrative Fees	-	-	0.004[f]	0	0
Subtotal	**0.204**	**-**	**0.040**	**0**	**0**
Tenant Protection Vouchers:					
Tenant Protection Vouchers	-	-	0.234	-	0.234
Administrative Fees	-	-	0.025[f]	-	0.026[f]
Subtotal	**0.260**	**-**	**0.259**	**-**	**0.260**
Project-Based Renewals	**4.337**	**-**	**4.337**	**4.337**	**4.337**
Contract Administration	**0.196**	**-**	**0.196**	**0.196**	**0.196**
FSS Coordinators	**0.052**	**-**	**0.046**	**-**	**0.048**
Working Capital Fund	**0.003**	**-**	**0.003**	**0.003**	**0.003**

Source: Fiscal Year 2003 Budget Summary, Department of Housing and Urban Development; H.Rept. 107-740; S.Rept. 107-222, the Congressional Record, 1/28/2003 S1512-1642, Conference Report, H.Rept. 108-10.

[a] These figures do not reflect a .65% across the board rescission also passed in this bill.

[b] The appropriated level does not include all funds available for the HCF in a year. Carry over and recaptured funds are also available. For FY2003, the Administration estimated that $640 million would be available in recaptured funds for the HCF, the House estimated that $938 million would be available for recapture from program reserves and $830 million would be available from unobligated administrative fee reserves. The FY2004 Budget Appendix indicates that HUD in fact has $1.738 billion available in recaptured funds in addition to the $1.1 billion it estimated to have available for rescission.

[c] Each of these amounts include an advance appropriation of $4.2 billion which will remain unavailable until FY2004, beginning on October 1, 2003. This advance appropriation has been standard for several years and, as $4.2 billion from the FY2002 appropriation became available in FY2003 on October 1, 2002, the net budget authority available for the HCF is as stated.

[d] Because the Senate-passed version of H.J.Res. 2 did not specify amounts for tenant protection vouchers or FSS coordinators, the category subtotals will not add to the HCF total.

[e] A dash denotes that funding levels were not specified for a category; a zero indicates that no funds are available for a category.

[f] The House bill provided a total of $1.177 billion for administrative fees for Section 8 tenant-based assistance, $50 million of which is to be used for the administrative expenses associated with new incremental assistance, tenant protection vouchers and fees associated with vouchers supported from the central reserve. The breakdown is calculated based on page 181 of H.Rept. 107-740. The final version of H.J.Res. 2, P.L. 108-7, provided $1.072 billion for administrative fees for Section 8 tenant-based rental assistance, $69.5 million of which is to be used for new tenant protection vouchers and additional vouchers supported from the central fund. The breakdown is calculated based on the Administration's estimated cost of tenant protection vouchers from the FY2003 budget justification.

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 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, supplement the rent collected by PHAs and enable them to maintain the property while keeping 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 Senate-passed version of H.J.Res. 2 agreed with the HUD budget request and approved $3.53 billion for the FY2003 Public Housing Operating Fund, equal to the Administration's request. Ten million of the appropriation was to be transferred to the Justice Department for the investigation, prosecution, and prevention of violent crime and drug offenses in public housing. The bill also provided that $250 million of the $3.6 billion for FY2003 can be used by HUD to meet a FY2002 funding shortfall, reducing the available operating subsidy funding available for FY2003 to $3.28 billion, less than what was available for FY2002 (see discussion of shortfall below).

The final version of H.J.Res. 2 provided $3.6 billion for the Public Housing Operating Fund. Ten million of the appropriation will be transferred to the Justice Department for the investigation, prosecution, and prevention of violent crimes and drug offenses in public housing. Like the Senate-passed version of H.J.Res. 2, the final bill allows HUD to use $250 million of the $3.53 billion for FY2003 to meet a FY2002 funding shortfall, reducing the available operating subsidy funding available for FY2003 to $3.35 billion, less than what was available for FY2002.

A note about the Operating Fund shortfall from FY2002. In FY2002, HUD did not have sufficient operating funds to provide full subsidies to all public housing authorities. This shortfall, of $250 million, resulted from an ongoing miscalculation on HUD's part of the Operating Fund needs; HUD's practice for dealing with these miscalculations had been to automatically dip into future years' appropriations to compensate for any shortfalls. This year, HUD was unable to dip into its FY2003 appropriation to cover its FY2002 shortfall because of a continuing resolution. In order to cover the shortfall, HUD asked permission (and was granted that permission) to use $250 million from the FY2003 Operating Fund appropriation to fully fund all PHAs for FY2002. In order to deal with the reduced funds available for FY2003, HUD issued a notice, Notice PIH 2003-1, instructing PHAs to reduce their budget requests by 30%, therefore lowering PHA subsidies to 70% of their expected subsidy level. It is expected that PHAs' budgets will then be adjusted upwards to approximately 90% (a final cut of approximately 10%) by May.

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 proposed 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, additionally, there is an estimated $20 billion backlog of rehabilitation and modernization needs faced by PHAs. 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 have allowed 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 hoped that at least some of the proposed cut of $417 million in capital funding could be replaced by private sector loans.

Some housing organizations 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 did not generate at least $400 million worth of capital improvements, HUD would seek to restore the reduction of capital funds to the previous year's level in FY2004.

The House Appropriations Committee bill proposed to fund the Public Housing Capital Fund at the FY2002 appropriation level, $2.843 billion, over $400 million above the Administration's request. The Committee chose not to authorize the Administration's Public Housing Reinvestment Initiative. Instead, they directed 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 included 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 months, and would reallocate them to PHAs who have demonstrated an ability to spend funds in a timely manner.

The Senate-passed version of H.J.Res. 2 proposed to fund the Public Housing Capital Fund at $2.683 billion, which is more than $257 million above the Administration's request. The bill also directed HUD to implement the Quality Housing and Work Reconciliation Act of 1998 regulations. The Senate bill did not adopt the Administration's Public Housing Reinvestment Initiative proposal, although it did include an administrative provision to allow public housing authorities the flexibility to use public housing funds to leverage private capital to rehabilitate distressed units and develop public housing units in mixed-income housing developments.

The final version of H.J.Res. 2, P.L. 108-7, appropriated $2.73 billion for the Public Housing Capital Fund, over $300 million more than the Administration's proposal. The bill includes language requiring the Secretary to issue regulations required under the Quality Housing and Work Reconciliation Act of 1998 by August 1, 2003. While the conferees did not adopt the Administration's Public Housing Reinvestment Initiative proposal, they did direct the Department to provide a report on those PHAs that have entered into private financing partnerships for capital modernization needs and the results of those partnerships.

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 requested $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 have reauthorized the program through FY2004.

The House Appropriations Committee recommended 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-passed version of H.J.Res. 2 also recommends an appropriation of $574 million for the HOPE VI program in FY2003, including $5 million for the Neighborhood Networks Initiative. The Senate bill contained language to reauthorize the program through September 30, 2004.

The final version of H.J.Res. 2, P.L. 108-7, appropriated $574 million for FY2003. $5 million of that amount is directed to be used for the Neighborhood Networks initiative and $6.25 million of the amount can be used for technical assistance. The bill did not include explicit language to reauthorize the program.

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 requested $647 million, plus a separate line account of $10 million for a Native Hawaiian housing block grant. Both the House and Senate Appropriations Committees recommended $649 million, the same as enacted in FY2002, about $2 million more than the budget request. Neither Committee recommended 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 Appropriations Committee directed HUD and its grantees to give primary consideration to qualified Native owned firms in the design and construction of Indian housing.

The final version of H.J.Res. 2 (P.L. 108-7) provided $649 million for FY2003, of which $4 million is for inspections, training, and technical assistance. They support the direction included in the Senate report regarding the use of 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 the HOPWA program for FY2003, up $15 million from the $277 million enacted in FY2002. The House bill from the 107th Congress (H.R. 5605), the Senate-passed version of H.J.Res. 2 and the final version of H.J.Res. 2 (P.L. 108-7) all concurred with the President's recommendation and provided $292 million for the HOPWA program in FY2003.

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 did not request 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. However, both the House and Senate Appropriations Committees recommended $25 million for FY2003, believing that this housing program is sufficiently different from Department of Agriculture programs to merit separate appropriations. The conferees agreed to $25 million.

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 proposed no funding for Round II Empowerment Zones because after 4 years of funding, major balances of unused funds had 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.

P.L. 108-7 includes $30 million for Round II EZ-designated communities with $2 million allocated to each of the 15 empowerment zone communities. Both the Senate and House bills considered during the 107th Congress recommended an appropriation of $30 million for this program for FY2003, $15 million less than enacted for FY2002 and $30 million more than the President's budget requested.

The Conference Report argued that, consistent with Round I empowerment zone funding, this program should be funded as a mandatory rather than an obligation of under the VA-HUD appropriations bill. During its consideration of the bill the Senate Appropriations Committee also expressed concerned over accountability in this program and noted that the HUD Inspector General has been critical about how communities have implemented this program and used EZ funds.

Community Development Block Grants. The Bush Administration's FY2003 budget recommended $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 have increased the formula-based portion of the program by $95 million for FY2003 and it proposed converting Section 107 funding for insular areas into a formula-based allocation. Both the House and Senate recommended an appropriation of $5 billion for FY2003, an increase of $317 million above the budget request and $50 million more than enacted for FY2002. .

P.L. 108-7, appropriated $4.937 billion for the various activities funded under this account, including $4.368 billion for the CDBG formula-based grants allocated to entitlement communities and the states, and $569.1 billion for CDBG-related set aside programs. The House version of the bill, H.R. 5605, recommended 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 have increased 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 also would have increased Senate funding for CDBG formula grants by $269.2 million above the $4.341 billion appropriated for FY2002.

P.L. 108-7 did not included funding the Administration's proposed Colonias Gateway Initiative. This regional initiative would have targeted additional CDBG assistance to communities in Texas, New Mexico, Arizona, and California within 150 miles of the border with Mexico. Funds would have been 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 have reduced funding for CDBG entitlement communities with per capita incomes that are twice the national average or higher.

During congressional consideration of the proposal HUD estimated that there were 13 communities with per capita incomes that met or exceeded the proposed threshold, but noted the number of such communities could change when figures from the 2000 Census became available (see **Table 8)**. The Senate Committee rejected the Administration's request for the Colonias Initiative, but encouraged 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, included 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." HUD does not plan to pursue this initiative during the 108th Congress. HUD officials noted substantial opposition to the proposal during congressional consideration of the Department's FY2003 budget proposal.

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 were 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. P.L. 108-7, includes 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 House	FY2003 Senate	FY2003 Confer.
Subtotals:					
set-asides (see below for details)	*659.0*	*279.5*	*423.0*	*439.8*	*569.1*
formula-based (entitlement communities	*3,038.7*	*3,100.3*[a]	*3203.9*	*3,227.1*	*3,057.5*
insular areas	–	*7.0*	–	–	–
formula-based state allocation	*1,302.3*	*1,328.7*	*1373.1*	*1,383.1*	*1,310.4*
Set-asides:					
Indian Tribes	*70.0*	*72.5*	*70.0*	*72.5*	*71.0*
Econ. Develop. Access Center	*(1.0)*	*(1.5)*	–	–	–
Housing Assistance Council	*3.3*	*3.0*	*3.3*	*3.3*	*3.3*
National American Indian Housing Council	*2.6*	*2.2*	*2.2*	*2.6*	*2.4*
Nat'l Council of La Raza HOPE	*5.0*	*0.0*	*5.0*	–	*5.0*
technical assistance	*(0.5)*	*0.0*	*0.5*	–	*(0.5)*
HOPE Fund; other activities	*(4.5)*	*0.0*	*4.5*	–	*(4.5)*
Section 107	*45.3*	*38.9*	*33.5*	*45.5*	*49.1*
technical assistance	–	*(3.0)*	–	*0.0*	
insular areas	*(7.0)*	*0.0*[b]	*(7.0)*	*(7.0)*	*(7.0)*
university programs	*(34.3)*	*(31.9)*	*(26.0)*	*(28.5)*	*(32.5)*
Historically Black Colleges and Universities	*(10.0)*	*(10.0)*	*(10.5)*	*(11.0)*	*(10.0)*[h]
Hispanic Serving Institutions	*(6.5)*	*(5.5)*	*(5.5)*	*(7.5)*	*(6.5)*
Community Dev. Work Study	*(3.0)*	*(3.0)*	*(3.0)*	*(3.0)*	*(3.0)*
Alaskan Native and Native Hawaiian Serving Institutions	*(4.0)*	*(2.4)*	–	*(4.0)*	*(3.0)*
Tribal Colleges and Univ.	*(3.0)*	*(3.0)*	–	*(3.0)*	*(3.0)*
Comm. Outreach Partnership Centers	*(7.9)*	*(8.0)*	*(7.5)*	–	*(7.0)*
management info. systems	*(4.0)*	*(4.0)*	–	–	–
Hawaiian Homelands	*9.6*	*0.0*	*9.6*	*(10.0)*[c]	*(9.6)*
Wellstone Center for Community Building	–	–	–	–	*9.0*
Girl Scouts of the USA	–	–	–	*2.0*	–[i]
Boys & Girls Clubs of America	–	–	–	*2.0*	–[i]
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*	*25.2*
National Housing Dev. Corp.	*5.0*	*0.0*	*5.0*	–	*5.0*

Programs and set-asides	FY2002 enacted	FY2003 request	FY2003 House	FY2003 Senate	FY2003 Confer.
operating expenses	*(2.0)*	*0.0*	*(2.0)*	–	*(2.0)*
Capacity Build. for Community Develop. & Affordable Housing	*29.0*[d]	*29.5*[d]	*29.5*	*35.5*	*32.5*
National Com. Dev. Initiative	*(25.0)*[e]	*(25.0)*[e]	*(25.0)*[e]	*(31.5)*[e]	*(28.2)*[e]
Habitat for Humanity	*(4.0)*	*(4.5)*	*(4.5)*	*(4.0)*	*(4.2)*
Resident Opportunities and Self Sufficiency (supportive services)	*55.0*	*0.0*[f]	–	–	–
Neigh. Initiative Demonstration	*42.0*	*0.0*	*23.4*	*46.0*[g]	*42.1*
Working Capital Fund for the development of info. tech. systems	*13.8*	*3.4*	*3.4*	*3.4*	*3.4*
Youthbuild	*65.0*	*65.0*	*65.0*	*65.0*	*60.0*
- in rural and underserved areas	*(10.0)*	*(10.0)*	*(10.0)*	*(10.0)*	*(10.0)*
-USA capacity bldg.	*(2.0)*	*(2.0)*	*(2.0)*	*(2.0)*	*(2.0)*
Economic Develop. Initiative:	*294.2*	*0.0*	*144.6*	*140.0*	*261.0*
Total: CDBG	**5,000.0**	**4,715.5**	**5,000.0**	**5,050.0**	**4,937.0**

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. The conference bill directs HUD to allocate at least $5 million for rural and tribal areas.
[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.
[h] Directs $2 million of this amount be used for technical assistance.
[i] These activities are among 39 earmarks under the Neighborhood Initiative set aside. $1.8 million for Girl Scouts USA and $1.8 million for Boys and Girls Clubs of America.

For FY2003, $261 million was earmarked for 854 specific EDI projects. This is $33 million less than the $294 million made available for FY2002, but significantly more projects than the estimated 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 FY2003, Congress appropriated $42.1 million for the program with all of the funds earmarked for 39 specific projects identified in the Conference Report. This is $100,000 more that earmarked in FY2002.

CDBG-related set-asides included in the FY2003 appropriations act include the following: $71 million for Native Americans instead of the FY2002 appropriation of $72.5 million; $49.1 million for section 107 grants, rather than $45.3 appropriated in FY2003; and $261 million for Economic Development Initiatives rather than the $294 million in FY2003. Additional set asides included in the appropriations act are $32.5 million for university- based community development programs, $60 million for Youthbuild ($5 million less than appropriated in FY2002), $32.5 million for community development capacity building activities administered by the Local Initiative Support Corporation, the Enterprise Foundation, and Habitat for Humanity. P.L 108-7, does not included funding for the Resident Opportunities and Self Sufficiency program, which received an appropriation of $55 million in FY2002.

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 supported decoupling the brownfields program from the Section 108 loan guarantee program, believing this will attract more participants.

During consideration of the Senate version of the bill in the 107th Congress, the Senate Appropriation Committee recommended $25 million for FY2003 and supported HUD's proposed decoupling. The House bill also supported continued funding of the program and recommended an appropriation of $25 million for FY2003. Unlike the Senate bill, the House bill did not endorse de-linking 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.

P.L. 108-7, includes $25 million appropriation for brownfield projects, but maintains the program's present structure which requires that funds must be used in coordination with CDBG Section 108 loan guarantees. In addition, the act requires that HUD award such funds on a competitive basis.

The HOME Investment Partnership Program. The Administration requested $2.084 billion for FY2003, $238 million more than the $1.846 billion enacted in FY2002. H.R. 5605, the House-passed bill, recommended $2.221 billion, which is $375 million more than the FY2002 appropriation and about $137 million more than the budget request. The Senate-passed bill recommended $1.95 billion, about $104 million less than the amount enacted in FY2002 and $134 million less than the budget request. The Conference Agreement appropriates $2.0 billion for the program, $154 million more than enacted in the previous year..

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 requested 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 40,000 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 can 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.

The Senate bill did not include any funds for the Downpayment Assistance Initiative. The Senate Appropriations Committee said that it supports the expansion of homeownership opportunities, but noted its continued concern that the program would constrain the ability of local communities to determine the best use of HOME funds. The Committee noted its support of any HUD efforts to educate communities on how to use HOME funds to expand homeownership. Last year's Senate bill also 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 for FY2002, subject to enactment of authorization legislation by June 30, 2002. Otherwise, the $50 million would be made 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) rescinded the $50 million.

The Administration recommended 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 made 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 the Senate omnibus bill, rejected the Administration's request for separate funding of housing counseling assistance outside of HOME, recommending that housing counseling remain within HOME. H.R. 5605 would have funded the program at $25 million, a $5 million increase over the FY2002 appropriation. The Senate bill would have funded 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 urged HUD to use the program as a means of educating homebuyers on the dangers of predatory lending. The Conference Agreement funded the program at $40 million.

Homeless Assistance Grants. Homeless Assistance Grants is the blanket title given to the four homeless programs authorized by the McKinney-Vento Act and funded under the Department of Housing and Urban Development. Three of the four programs are competitive grant programs: the Supportive Housing Program (SHP), the Shelter Plus Care program (S+C) and the Single Room Occupancy program (SRO). Funding for the fourth HUD program, the Emergency Shelter Grants Program, is distributed via a formula allocation.

The Administration's FY2003 budget requested $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 information systems (HMIS), and $6.6 million for technical assistance.

The House Appropriations Committee, in a bill from the 107th Congress, H.R. 5605, recommended $1.250 billion for the Homeless Assistance Grants in FY2003, an increase of $127 million over FY2002. This amount would have included full funding for the costs of renewing all expiring Shelter Plus Care contracts, $11 million for HMIS, $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-passed version of H.J.Res. 2 recommended $1.215 billion for the Homeless Assistance Grants in FY2003, an increase of $92 million over the FY2002 level. The Senate bill specified that of the $1.215 billion recommended, $193 million was to fund Shelter Plus Care renewals on an annual basis, while $17.6

million was for technical assistance and HMIS. This would have left approximately $1 billion to fund the remaining three homeless programs (SHP, SRO, ESG).

The final version of H.J.Res. 2, P.L. 108-7, provided $1.225 for homeless assistance grants in FY2003. The bill included language renewing all Shelter Plus Care contracts, designating $11 million for the HMIS initiative and $6.6 million for technical assistance. P.L. 108-7 also set aside $10 million of the $1.225 billion for a two-year demonstration program to test innovative approaches and document best practices to address the needs of the homeless. The Conference Report notes that these funds can only be used for the housing portion of these innovative programs.

For FY2003, the Administration proposed that the Emergency Food and Shelter program (EFSP), which is currently administered by the Federal Emergency Management Agency (FEMA), be transferred to HUD. This proposal was not adopted by the House, Senate, or the final bill.

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. HUD's 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.

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 for these populations. The President proposed new funding of $774 million (for a total of $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 amount as provided in the previous year. HUD points out that an increasing number of the elderly living in Section 202 apartments have become frail and less able to live in rental facilities without some additional services. Therefore, the administration proposed that $30 million of the appropriated amount be made available for construction grants to convert existing Section 202 units to assisted living facilities. This would allow individual elderly residents to remain in their units and maintain their independence as they age. The President proposed that another $53 million of the appropriation be used to fund service coordinators who help elderly residents obtain needed supportive services from the community.

The House Appropriations Committee recommended a direct appropriation of $841 million for the Section 202 program (in addition to the assumed $9.7 million in recaptured funds) for FY2003. This figure was $67 million above the Administration's request and included $50 million for service coordinators and $30 million for the conversion of Section 202 housing to assisted living. The House also proposed to make $50 million of the requested amount available for a demonstration grant program to facilitate planning, design and development activities for Section 202 projects, in the hope of finding ways to shorten the time between the award of grants to communities and the completion of projects.

The Senate-passed version of H.J.Res. 2 recommended $783 million for Section 202 (in addition to recaptured funds), $53 million of which was to be set aside for service coordinators and $50 million of which was to be set aside for the conversion of units to assisted living.

The final version of H.J.Res. 2, P.L. 108-7, approved $783 million for Section 202 (in addition to recaptured funds), $50 million of which was set aside for service coordinators and $25 million of which was set aside for the conversion of units to assisted living. The final bill, like the House bill, set aside funds for a demonstration grant program to facilitate planning, design and development activities for Section 202 projects; the final bill set aside $25 million for this activity rather than $50 million as proposed by the House.

The Administration also 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 Section 811 budget would be required to renew vouchers. In addition, $40 million from the Housing Certificate Fund would be allocated, under the Administration's proposal, 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. In addition, H.R. 5605 provided $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 Senate-passed version of H.J.Res. 2 recommended $251 million for the Section 811 program in FY2003. Of this amount, 25% would be available for tenant-based rental assistance for the non-elderly disabled under this proposal.

The final version of H.J.Res. 2, P.L. 108-7, approved $251 million for the Section 811 program in FY2003. Again, 25% of this amount is available for tenant-based rental assistance for the non-elderly disabled under this law.

Federal Housing Administration (FHA). For FY2003, the Administration requested and the Senate-passed version of H. J. Res. 2 recommended 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 recommended a commitment level of $165 billion. The Conference Agreement authorized a commitment limitation of $165 billion.

Both the Administration and the Senate bill requested 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 recommended a commitment limitation of $23 billion. The Conference Agreement authorized 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 is determined by annual appropriations acts.

The Budget and H.R. 5605 requested 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. The Senate bill recommended a direct loan limitation of $250 million, the same as enacted in FY2002. The Conference Agreement authorized a loan limitation of $100 million.

The Administration, H.R. 5605, and the Senate-passed omnibus bill proposed a direct loan limitation of $50 million for the GI/SRI fund, the same limit as in FY2002. The Conference Agreement authorized $50 million for the program. 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 the Senate bill requested administration expenses of $336.7 million for the MMI/CHMI accounts. The Senate would have provided 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 requested $347.8 million for administrative expenses. The Conference Agreement authorized $347.8 million for administrative expenses, and adopted the Senate language regarding loan commitments exceeding $65.5 billion on or before April 1, 2003.

As in FY2002, the FY2003 Budget, H.R. 5605, and the Senate omnibus bill requested an appropriation of $15 million for credit subsidies to support loan guarantees under the GI/SRI programs. The Conference Agreement appropriated $15 million, as requested. 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 proposed 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 insurance program 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 proposed FY2003 budget noted, 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 argued 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 noted 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 said 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 directed 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 provided a new claims payment procedure that permits HUD to pay a claim upon assignment of the mortgage rather than upon conveyance of the property; authorized HUD to take assignment of the notes and transfer them to private parties for servicing, foreclosure avoidance, foreclosure, property management, and asset disposition; allowed FHA to be an equity participant in private entities; and allowed 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 proposed 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 was 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 noted 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 pointed out that HUD has not demonstrated how this program would benefit very low-income communities, especially those with high incidences of predatory lending. The Committee noted 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 directed 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 noted 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 hoped to reduce the number of foreclosed properties in the future. The Committee noted, however, that the Credit Watch model is only effective after problem loans default.

The Senate Committee noted 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 have led to defaults and foreclosed homes, and that this has contributed to neighborhood decline and destabilization. The Committee concluded 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 Senate Committee directed HUD to report to the appropriate Congressional Committees on further actions that could be taken to protect homebuyers and communities in census tracts that experience high rates of FHA defaults and foreclosures. The Committee directed HUD to consider making FHA lenders responsible for the appraisals on loans in these census tracts. The Committee further directed that HUD 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 urged 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 Senate Committee noted 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 asked 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 suggested that HUD must become more aggressive in adopting the kind of preventive measures suggested by the Committee. HUD was directed to submit a report that responds directly to the issues raised by the Committee.

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 2001 which would prevent the issuance of FHA insurance on properties that have been transferred by a previous sale within 6 months. The Budget noted that the rule will be implemented in 2003. FHA also proposed 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.

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 was 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 ed$30 million for FY2003. The conferees agreed to $30 million, to be funded by fees from Fannie Mae and Freddie Mac. OFHEO is to provide a detailed report to the Committee on Appropriations by August 15, 2003, detailing its current staffing levels and corresponding responsibilities, and whether this is adequate to fully meet its regulatory mission.

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 requested $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 recommended $46 million for HUD's fair housing programs for FY2003, level with FY2002 funding and the same as the budget request. The conferees also agreed with $46 million for FY2003.

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 has received appropriations 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 requested a $16 million increase over FY2002, for a total of $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 recommended $126 million for the program in FY2003, the same $16 million increase requested by the Administration. Citing lead poisoning from lead-based paint as the highest public health threat to children under the age of 6, the Senate Committee recommended $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 reported 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 recommended $75 million to establish a new lead hazard reduction demonstration program focused on major urban areas where children are disproportionately at risk. The conferees agreed to $176 million, $66 million above the FY2002 enacted level. The $176 million is to be allocated as follows: $10 million for Operation LEAP; $96 million for the lead-based paint hazard control grant program; $10 million for technical assistance and support to State and local agencies and private property owners; $10 million to the Healthy Homes Initiative; and $50 million for an initiative to target lead abatement funds to areas with the highest lead paint abatement needs.

Title III: Independent Agencies

Environmental Protection Agency

The President's FY2003 request for the Environmental Protection Agency (EPA) was $7.621 billion in budget authority or 6% less than the $8.079 billion appropriated for FY2002. In the 107th Congress, the Senate Committee on Appropriations recommended $8.299 billion; the House Committee recommended $8.205 billion. In the 108th Congress, the Senate passed $8.2 billion and the conferees included $8.132 billion P.L. 108-7 (H.J.Res. 2).

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. 108-10, 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. In the 107th Congress, S. 2797 recommended $4.01 billion; H.R. 5605 recommended $3.8 billion. The 108th Congress included $3.86 billion, less than the $3.92 approved by the full Senate.. The bills 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. P.L. 108-7 included $1.35 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. The final amount approved was $850 million.

For state and tribal administrative grants, the budget sought $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. P.L. 108-7 allotted $130 million for these grants.

Table 11. Appropriations: Environmental Protection Agency, FY2002-FY2003
(budget authority in billions)

Program	FY2002 enacted	FY2003 request	FY2003 House	FY2003 Senate	FY2003 Conf.
Science and Technology	.735	.781	.801	.793	.806
transfer in from Superfund	*.037*	*.111*	*.086*	*.086*	*.086*
Emergency supplemental	.090	–	–	–	–
Environmental programs, compliance (management)	2.055	2.048	2.112	2.137	2.112
Emergency supplemental	.039	–	–	–	
Office of Inspector General	.046	.048	.048	.050	.049
transfer in from Superfund	*.012*	*.013*	*.013*	*.013*	*.013*
Buildings and facilities	.025	.043	.043	.043	.043
Superfund (net, after transfers)	1.221	1.149	1.324	1.174	1.174
direct appropriations	*1.270*	*1.273*	*1.423*	*1.273*	*1.273*
transfers out from Superfund	*-.049*	*-.124*	*-.099*	*-.099*	*-.099*
Emergency supplemental	.041	–	–	–	—
Leaking Underground Storage Tank Trust Fund	.073	.072	.072	.072	.072
Oil spill response	.015	.016	.016	.016	.016
State and tribal assistance	3.733	3.464	3.789	3.921	3.860
Emergency supplemental	.005	–-	–	–	
Subtotal (EPA)	**8.079**	**7.621**	**8.204**	**8.205**	**8.132**

Source: H.Rept. 108-10.

Note: Totals for FY2002 include supplementals. The FY2003 levels shown for the Senate and enacted versions of the bill do not reflect required cuts to most discretionary programs that were adopted to hold the bill's total cost within specified limits.

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 proposed $72 million decrease compared to FY2002. S. 2797 recommended $1.174 billion; the H.R. 5605 recommended $1.324 billion. P.L. 108-7 (H.J.Res.2) included $1.174 billion, also the level approved by the full Senate. There was 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), established in 1979 to administer federal policies related to emergency management, has been transferred into the Department of Homeland Security (DHS) effective March 1, 2003. For the remainder of FY2003, FEMA personnel now included in DHS will continue to administer policies that coordinate federal activities and help state and local governments prepare for, respond to, and recover from catastrophes, including terrorist attacks. For information on these policies see CRS Report RL31670, *Transfer of FEMA to the Department of Homeland Security: Issues for Congressional Oversight*.

Perhaps the most prominent emergency management activity now administered by DHS involves the administration of the disaster relief fund (DRF). The Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 *et seq.),*which 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. Appropriations made to the (DRF) are used to carry out the provisions of the Stafford Act and remain available until expended. 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. Over the past decade roughly $3.5 billion annually (in constant dollars) has been provided from the DRF.

The budget requests for FEMA each year have included funds for normal agency operations and grant-in-aid assistance to nonfederal entities, in addition to disaster relief. Should funds appropriated in annual legislation for disaster relief prove insufficient, supplemental funds have been requested, as illustrated in Table 12. Grants for fire departments and public safety agencies have been appropriated for FY2004 to enhance the ability of state and local agencies to prepare for and respond to terrorist attacks and other disasters. (For information on the grants to fire departments see CRS Report RS21302, *Assistance to Firefighters Program*; for an overview of assistance for public safety agencies see CRS Report RS21400, *FY2003 Appropriations for First Responders: Fact Sheet*.

Table 12. Appropriations: Federal Emergency Management Agency, FY2002-FY2003

(budget authority in billions)

Program	FY2002 enacted	FY2003 request	FY2003 House	FY2003 Senate	FY2003 Conf.
Disaster relief [a]	9.172	1.843	1.820	.843	.800
Direct appropriations	*.664*	*1.843*	*1.820*	*.843*	*.800*
Contingent emergency funds	*1.500*	*.000*	*.000*	*.000*	*.000*
Emergency Response Fund	*4.357*	*.000*	*.000*	*.000*	*.000*
Emergency supplemental (P.L. 107-206)	*2.651*	*.000*	*.000*	*.000*	*.000*
Nat'l pre-disaster mitigation	.000	.300	.250	.025	.150
Disaster assist. loan; admin.	.001	.001	.001	.001	.001
Radiologic. emergency prep.	-.001	-.001	-.001	-.001	-.001
Salaries and expenses	.259	.240	.251	.240	.246
Inspector General[b]	.010	.012	.012	.018	.014
Emergency management, planning assistance[a]	.405	3.747	.367	.715	.388
Emergency supplemental	.445	.000	.000	.000	.000
Emergency food, shelter	.140	.153	.153	.153	.153
Fire Act	.000	.000	.450	.900	.750
Cerro Grande fire claims	.000	.000	.000	.100	.090
Flood map modernization	.000	.300	.200	.100	.150
Nat'l Flood Insurance Fund[c]	.105	.110	.110	.110	.110
Subtotal (FEMA)	**10.536**	**6.704**	**3.612**	**3.204**	**2.851**

Source: H.Rept. 108-10.

Note: Totals for FY2002 include supplementals. The FY2003 levels shown for the Senate and enacted versions of the bill do not reflect required cuts to most discretionary programs that were adopted to hold the bill's total cost within specified limits.

[a] During FY2002, and additional supplemental amount, totaling $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.

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. 108-10, 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 House	FY2003 Senate	FY2003 Conf.
Human space flight	6.912	6.131	6.131	6.096	6.181
Emergency supplemental	.076	.000	.000	.000	.000
Science, aeronaut., tech.	7.857	8.845	9.145	9.003	9.208
Emergency supplemental	.033	.000	.000	.000	.000
Inspector General	.024	.025	.025	.027	.026
Subtotal (NASA)	**14.902**	**15.000**	**15.300**	**15.126**	**15.414**

Source: H.Rept. 108-10.

Note: Totals for FY2002 include supplementals. The FY2003 levels shown for the Senate and enacted versions of the bill do not reflect required cuts to most discretionary programs that were adopted to hold the bill's total cost within specified limits.

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 2nd generation RLV (the shuttle is the 1st 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. 108-10, 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 Senate	FY2003 House	FY2003 Conf.
Research, related activities	3.598	3.783	4.150	4.082	4.083
Major research equipment	.139	.126	.160	.059	.150
Education, human resources	.894	.908	.911	.933	.909
(emergency supplemental, P.L. 107-206)	*.019*	*.000*	*.000*	*.000*	*.000*
Salaries and expenses	.170	.203	.194	.182	.190
National Science Board	–	–	.000	.004	.004
Office of Inspector General	.007	.008	.009	.009	.009
Subtotal (NSF)	**4.809**	**5.028**	**5.423**	**5.269**	**5.345**

Source: H.Rept. 108-10.

Note: Totals for FY2002 include supplementals. The FY2003 levels shown for the Senate and enacted versions of the bill do not reflect required cuts to most discretionary programs that were adopted to hold the bill's total cost within specified limits.

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.

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.

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.

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.

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.

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.

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.

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.

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.*

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.

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."

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.

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.

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).

Neighborhood Reinvestment Corporation (NRC). The NRC leverages funds for reinvestment in older neighborhoods through community-based organizations called Neighbor Works. Among projects supported by NRC financing 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.

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

(budget authority in billions)

Program	FY2002 enacted	FY2003 request	FY2003 House	FY2003 Senate	FY2003 Conf.
Agency for Toxic Substances and Disease Registry	.078	.078	.089	.081	.083
American Battle Monuments Commission	.035	.030	.035	.030	.035
Chem. Safety and Hazard Investigations Board	.008	.008	.007	.008	.006
Cemetery Expenses, Army	.023	.024	.032	.024	.032
Community Development Financial Institutions	.080	.068	.080	.073	.075
Consumer Product Safety Comm.	.055	.057	.057	.057	.057
Corporation for National and Community Service[a]	.407	.636	.005	.413	.387
Council, Environ. Quality; Office, Environ. Quality	.003	.003	.003	.003	.003
Court of Appeals, Veterans Claims	.013	.015	.014	.015	.014
Fed. Consumer Inform. Center	.007	.013	.012	.013	.012
Federal Deposit Insurance Corporation (transfer)	*(.034)*	*(.031)*	*(.031)*	*(.031)*	*(.031)*
Interagency Council on Homeless	.000	.000	.000	.002	.002
National Credit Union Admin.	.001	.001	.001	.001	.001
National Institute, Environmental Health Sciences	.081	.074	.084	.076	.084
Neighborhood Reinvestment Corp.	.105	.105	.105	.110	.105
Office, Science &Tech.	.005	.005	.006	.005	.005
Selective Service System	.025	.026	.026	.026	.026
Subtotal: Other agencies	**0.926**	**1.144**	**0.557**	**1.047**	**0.923**

Source: H.Rept. 108-10.

Note: Totals for FY2002 include supplementals. The FY2003 levels shown for the Senate and enacted versions of the bill do not reflect required cuts to most discretionary programs that were adopted to hold the bill's total cost within specified limits.

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.

Selective Service System (SSS). 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.