EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
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LRM NO: 3086

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11/8/95

LEGISLATIVE REFERRAL MEMORANDUM

Total Page(s): 9

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FROM: Janet FORSGREN (for) Assistant Director for Legislative Reference

OMB CONTACT: Anna BRIATICO 395-7887
Legislative Assistant's line (for simple responses): 395-7362

SUBJECT: HUD Proposed Testimony on Public Housing Resident Empowerment Initiatives

DEADLINE: 2 p.m. Wednesday, November 08,1995

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President.

Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

COMMENTS: Attached is HUD's proposed testimony for tomorrow's hearing before the H. Human Resources and Intergovernmental Relations Subcommittee.

*** PLEASE NOTE WELFARE REFORM DISCUSSION ON PAGE 7 OF THE TESTIMONY ***

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RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM

LRM NO: **3086**

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If your response to this request for views is simple (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet.

If the response is simple and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:

(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or

(2) sending us a memo or letter

Please include the LRM number shown above, and the subject shown below.

TO: Anna BRIATICO 395-7887
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FROM: ______________________________ (Date)

______________________________ (Name)

______________________________ (Agency)

______________________________ (Telephone)

SUBJECT: HUD Proposed Testimony on Public Housing Resident Empowerment Initiatives

The following is the response of our agency to your request for views on the above-captioned subject:

______ Concur

______ No Objection

______ No Comment

______ See proposed edits on pages __________

______ Other: ______________________________

______ FAX RETURN of ____ pages, attached to this response sheet

draft 11/5/95
rev
11/6/95am/pm
11/7am
11/7 PM

Draft Testimony - Kevin Marchman

Chairperson Shays and Members of the Committee:

Thank you for inviting me to testify before your Committee to discuss HUD's public housing resident empowerment initiatives. The Secretary and I appreciate your concern that resident programs are managed in a way to yield maximum performance. In our reinventing initiatives we strive to administer programs in a responsible business-like manner and to provide the public housing communities with appropriate technical assistance and oversight to produce the desired results.

I am aware that this hearing was called to principally review the Department's oversight of public housing resident programs. Concerns have been raised as to the effectiveness of HUD's controls and if we can properly protect against waste of federal funds. I will briefly address these concerns but first I would like to review our Tenant Opportunity Program.

Currently there are a number of resident programs successfully in place: Youth Apprenticeships, HOPE 1, HOPE VI, Family Investment Centers, Youth Development Initiative, Early Childhood Development, Public Housing Drug Elimination, and a demonstration program with the construction trades to provide job training. However, the Tenant Opportunities Program (TOP) is the only HUD program that provides funding to public and Indian housing resident organizations. This resident management program authorized in 1987 under Section 20 of the U.S. Housing Act as "Public Housing Resident Management" (RM) was written and promoted by resident leaders. The key program goal was to provide training and technical assistance for residents to organize their communities and operate various resident-managed programs.

While RM has been in operation since 1988, Secretary Cisneros has lead the Department in shaping the program to be more responsive to resident's needs and; equally important, has provided the grant infrastructure to successfully manage this program which has doubled in size since 1993. The expansion RM occurred after a meeting convened which brought together a broad representative group of national, regional, and state tenant leaders. The group concluded that the RM training program needed to be expanded from the narrow base of resident management to a more flexible program to permit other resident management activities -- such as tenant patrols and resident run businesses.

The flexibility would allow the resident groups to decide which resident-managed initiatives would be best suited to their community's needs. To reflect this new and more flexible approach, the name of this resident technical assistance program was changed from Resident Management to TOP and new regulations were issued to reflect these changes.

Since 1988, the Department has provided $72 million in grants to over 900 resident councils/resident management corporations. A recent survey conducted by Aspen shows that of the 383 resident entities funded between 1988 to 1993. Of these, 38 or about 18% are property management contracts, and 191 or 50% have contracted with public housing authorities to further their resident management options. A later survey showed 235 of the FY 1988-1993 resident grantees shows that more than 1,824 jobs have been created at about $3,500 per job, more than 1,900 residents have benefitted from job training at about $3,200 per resident and over 21,000 residents have benefitted from supportive services programs for less than more than $300 per individual. Another study completed in 1993 by COX and Associates shows positive results from resident managed programs -- including crime reduction, fewer vacancies, and improved project maintenance, as well as the creation of jobs and businesses.

There are also success stories in communities all across the country. For example, in Dallas, the Roseland Homes Resident Management Corporation implemented a block worker program to train residents in trash removal and trash pick-up and has employed fifteen residents. The Yazoo City Housing Resident Council has 15 residents who graduated from a community action agency-sponsored micro-enterprise and as a result have their own businesses in child care, trucking, and other areas. In Buffalo, the Resident Council, in partnership with the Vista Program, has trained 400 residents and many are now gainfully employed. In Cleveland, lead-based paint abatement training was sponsored by the Valley-View Tenant Management Corporation (TMC) -- thirty-two residents are gainfully employed and two other courses are offered by the TMC. I will provide for the record several publications with recent success stories on the TOP Program.

Now let me address your concerns:

Top grants and the NTO conference

The use of (TOP) funds for travel by residents to a conference in Puerto Rico, sponsored by a national, non-profit organization, the National Tenants Organization (NTO). Again, the TOP program is directed toward providing public housing resident grantees with maximum flexibility to design education and leadership initiatives tailored to their community needs. Contrary to some accusations, the Department did not help plan or preapprove the logistics for this conference. NTO as an independent organization was, and is, responsible for such meetings and conferences. As mentioned, a written statement was prepared by HUD to indicate this conference was an acceptable training activity. However, such statements are not unusual and have been done for other conferences and training programs. While we recognize that training conferences are an important part of educating residents to become self-sufficient, the Department has concerns about the way NTO irresponsibly promoted their conference, and the large number of residents from the same communities who chose to attend, particularly in light of limited federal resources. An expeditious review of the TOP guidelines is underway, and we intend to implement warranted reforms as soon as possible.

Wilmington's TOP Grant Applications

We understand the concerns raised regarding the 6 TOP grants awarded in Wilmington, DE and agree that the awarding these contracts to a consultant who was not procured in accordance with the federal guidelines and HUD's subsequent approval of these grants was an erroneous error. Subsequently, HUD investigated the situation and, as a result, cancelled the grants. I would like to assure the Committee that the Department has put into placed new controls to try and prevent this from occurring again. Starting in FY 1995, the Department limits any one trainer/consultant from obtaining more than 50% of the funding for each grant. Although this may appear to be a large percentage, please keep in mind that the majority of the TOP grant funds are specifically for training and technical assistance. In addition user-friendly program guidance was issued explaining how to select a consultant and emphasizing the use of local consultants to assure training is available locally on an on-going basis. This has been reemphasized at various training sessions held during FY 1995. To further assist residents in the selection of trainers/consultants, the Department is in the process of developing a system for certifying and debarring trainers/consultants.

In addition to the aforementioned restriction on trainers/consultants, greater specificity is being required in the TOP applicant's description of the proposal including emphasis on specific performance measures. Before an application process is culminated by the execution of a gant agreement, each new grantee is required to provide a detailed plan and line item budget that can be used as a basis for financial tracking.

RMC/PHA contracts: 1230 North Burling

With regards to the concerns you raised on the 1230 N. Burling RMC contract with Chicago Housing Authority, all RMC/PHA contracts are reviewed by the field offices for compliance with statutory and regulatory requirements. Currently, our field office is looking into the issue you raised regarding the amount of operating subsidy provided to the RMC. **(MORE INFO TO COME)**

The Department has been very mindful of the need to reduce the potential for fraud, waste, and abuse in a grant program. Since 1993, the Department has put in place or strengthened the TOP grants management infrastructure and systems as well as HUD support structure to help prevent misuse of federal funds and properly administer the TOP program.

Following are highlights of the major TOP grants management reforms:

*<u>New fiscal controls were instigated.</u>

Utilizing the LOCCS cash management system, all resident grantees are now required to show how their expenditures relate to the key elements of their work plan. To assure that there is proper set-up of the program, no more than $5,000 can be expended until grantees have a complete fiscal system in place, as well as a partnership with the housing authority. The initial $5,000 is provided so that the resident organizations can attend the initial training workshops and set up their resident offices. Most significant, all grantees are instructed to move steadily toward their work plan goals or risk the HUD field offices providing item-by-item control of their funds or, as a last resort, recapturing the grants. Since the program's inception in 1990, $711,000 in grant funds has been recaptured. Please be assured that the Department's review of the TOP program will include scrutiny of the HUD field office's monitoring activities, including whether additional TOP grants should be under tighter fiscal controls or recaptured.

*<u>Field monitoring of LOCCS.</u>

The field office receives monthly LOCCs reports to review funding and program progress. Several items are reviewed every month, including the amount of money spent for each of the major tasks in the grantee's work plan. If the office staff finds a problem, the field office can freeze the grant funds. [redacted]

*<u>Standards and controls have been placed on the</u> use of trainer-<u>consultants.</u>

User-friendly program guidance was issued explaining how to select a consultant and emphasizing the use of local consultants to assure training is available on an on-going basis. Beginning in FY 1995, restrictions were placed on the use of any one trainer (including but not limited to consultants) from obtaining more than 50% of the funding for each grant. Let me re-emphasize that the majority of the TOP grant funds are specifically for training and technical assistance. To assist resident grantees in selecting qualified trainers, we are developing a system for certifying and debarring trainer-consultants -- using the current Drug Elimination Technical Assistance Program as the model.

*The TOP grant term has been made more realistic.

Clients indicated that the prior requirement of 18 months to 2 years was an unrealistic timeframe for resident groups to accomplish TOP goals. Therefore, as a result of consultation with resident leaders and their housing authority partners, the grant term for all TOP grantees was extended to 3 to 5 years, at the option of the grantee.

*The application and review process was strengthened.

Beginning in FY 1995 TOP grant applicants were required to submit greater detail about the specifics of their proposed application; additional points were given if the applicant provided detailed performance measures. Since FY 1994, an independent processing panel of HUD field staff has rated and ranked grants utilizing an automated program to aggregate and rank the applicants. Detailed processing/training instructions provided uniform guidance to the reviewers.

*An automated semi-annual reporting system was launched to provide information on progress and accomplishments.

In addition to requiring performance standards as a bonus in the application process, grantees will be required to use a new format in reporting semi-annually. This new reporting format will provide detail on performance in an automated semi-annual system now being implemented for the TOP program.

*Numerous workshops for HUD field staff, resident grantees, and their housing authority to assure compliance and promote results.

During FY 1994 and 1995, there were as many as 325 training sessions for HUD resident initiatives field staff, housing authority staff and resident leaders. We view the HUD field staff as the front line in providing proactive technical assistance and assuring that TOP and other PIH programs accomplish their stated goals and comply with all outstanding requirements. Just this month we are sponsoring two workshops to help accomplish our resident goals -- one to provide economic development training for resident leaders and the other to train HUD Headquarters field operations staff on their role in facilitating progress in resident programs. We plan to continue training for field staff and clients, unless budget cuts curtail HUD's capability to provide adequate technical assistance and oversight.

I am providing for the record specific background on the grant structure of the TOP program to further show the improvements in the Department's grants management system since 1993. As a part of our continual striving toward excellence, we will review all current guidelines and controls in the program and expeditiously implement any reforms warranted.

I want to take the opportunity to share with you my plans for improving the administration of Resident programs in the Office of Public and Indian Housing. The maintenance, care and viability of Public Housing depends on strengthening resident self-responsibility. The priorities I have established are an outgrowth of three critical realities: first, that all public housing programs, including resident initiatives will be funded differently into the future, --- HUD won't be dispensing grants directly to resident groups, since Congress is largely eliminating separate funding for such programs. I want to also point out that the greater sources of funding for resident programs - PHA operating subsidies, modernization under the Comprehensive Grant program, and the Drug Elimination program are also being significantly cut or altogether reduced. Unless mitigated, these outcomes represent an immense potential for wasteful disputes and competition over limited resources at the local level. To prevent and reduce such negative fallout, HUD will redirect and tie the objectives of public housing resident services to helping address current and on-going needs of PHAs to manage, maintain and transform public housing. If PHAs are to arrest rising costs and eliminate waste, it will be in the industry's best interest to aggressively implement Section 3 for construction, management and maintenance, and to enlist the help of residents in establishing house rules and lease policies on resident maintenance responsibilities.

The second critical reality, is the imminent reform of this nation's welfare programs. Before the year is out, a majority of households and families with children who live in public housing will need to start complying with work requirements established by State and local governments. No longer entitled to assistance, public housing residents who fail to find work or reach the end of their assistance term, will lose their eligibility and income. HUD can creatively and constructively help residents and PHAs to respond to the impacts of welfare reform and help avert new crises for public housing and the poor. PHAs with residents, will need to develop ceiling rents, and institute policies for disregarding certain income based upon factual assessments of site-specific and PHAwide socio-economic conditions. On a widespread basis, welfare reform will also require changes in public housing leases and increased learning by residents as to new duties and responsibilities. As one means of problemsolving, we are supporting the Campus of Learners initiative, which on a voluntary basis involves PHAs in a demonstration of on-site and off-site intergenerational resident education for lifelong self-sufficiency. From these settings, HUD hopes to produce usable methods for a larger number of public housing communities, as the nation shifts away from negative dependency programs that stifle the potential of poor people to improve themselves.

The third critical reality has to do with finally recognizing that effects of de jure and defacto segregation of minorities coupled with the isolation of the poorest of the poor in public housing must be transformed as we move into the twenty-first century. These urban zones of sacrifice weaken the heart of our nation's cities, jeopardizing the strength of our social fabric and commitment as democracy to extend equal opportunity to all. The HOPE VI program, troubled agency recovery programs and the Department's public housing homeownership authority are three important avenues for sharpening resident involvement to achieve cooperation between the races, while embracing an ethic of self-responsibility.

So that HUD can best respond to these incoming realities, we are taking immediate measures within our Community Relations and Involvement Office to focus and integrate the administration of our resident programs to achieve these priorities. As with Department's successful shift to PHA risk management, it will be necessary for us to clarify performance indicators for resident services and resident management, set realistic but effective targets, measure results achieved by resident groups and PHAs, and act in to avert disaster and abuses. Because resources are greatly diminished, we will be reassessing the effectiveness of funds previously awarded under resident initiatives, as well as, the extent to which PHAs are providing residents with opportunities under Section 3 in modernization, management and security. In light of our findings, the Department will act quickly to make adjustments, and to obtain the cooperation of PHAs, resident groups, and State and local agencies in solving problems and promoting solutions.