



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

February 12, 2008
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 3521 – Public Housing Asset Management Improvement Act

(Rep. Sires (D) NJ and 6 cosponsors)

The Administration is strongly committed to the successful transition to and implementation of asset management for Public Housing Agencies (PHAs). Asset management will adopt widespread private sector practices, including project-based budgeting and accounting, to assure costs are known, managed, and maintained at reasonable levels – ensuring public housing tenants are the first priority. However, the Administration is deeply concerned that H.R. 3521, as reported by the House Financial Services Committee, would severely undermine PHAs' long-awaited conversion to asset management and the adoption of conventional business practices. For the reasons that follow, the Administration strongly opposes House passage of H.R. 3521.

H.R. 3521 would exempt 88 percent of PHAs, those which own or operate fewer than 500 public housing units, from the requirement to convert to asset management. The increase of the threshold for exemption from asset management, from 250 to 500 public housing units, would directly contradict a fundamental element of the Operating Fund negotiated rulemaking process.

The bill also would eliminate any restriction or limitation on the amount of management and related fees that a PHA could charge through January 2011. This change would promote program inefficiency, likely reduce funds available to directly assist tenants, and erode effective program oversight and accountability. Moreover, the Department of Housing and Urban Development (HUD) has already provided the PHAs with the flexibility to phase-in management fees through 2011, provided they include reasonable documentation in their Annual Plan.

PHAs would be allowed to spend as much as 20 percent of their Capital Fund grant on central office costs related to the operation of public housing. The extra 20 percent is above and beyond the 10 percent of the Capital Fund grant that the PHA earns as a management fee, and on top of the normal management fees that a PHA earns for operating each project. The Administration strongly opposes this provision because it could lead to excessive Capital Fund diversions and expenditures on administrative costs, and because HUD has already allowed PHAs until 2011 to abide by the new management fee guidelines, with supporting documentation. Beyond that date, PHAs should abide by the new management fee guidelines so that Capital Fund amounts are spent, to the maximum extent possible, on capital works projects, not on central overhead costs.

Under the bill, HUD is directed to ensure that PHAs encourage the reasonable efforts of resident tenant organizations to represent their members, and to issue guidance encouraging resident participation in the implementation of asset management. Although these provisions are well-intended, HUD's regulations already encourage resident and tenant participation, especially in the adoption of Annual Plans. Moreover, the provisions in H.R. 3521 giving wide latitude to a

PHA's determination and use of management fees are directly contrary to the interests of public housing residents. Such provisions encourage PHAs to direct valuable resources away from the direct operation of public housing projects in favor of central overhead.

The Administration looks forward to working with the Congress to ensure that the long-awaited conversion of PHAs to asset management occurs smoothly and under the guidance of conventional business practices. However, H.R. 3521 moves in the wrong direction and would undermine these efforts.

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