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Appropriations for FY2002: VA, HUD, and Independent Agencies (P.L. 107-73)

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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, 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 FY2002: VA, HUD, and Independent Agencies

Summary

P.L. 107-73, the FY2002 appropriations bill (H.R. 2620) for the Departments of Veterans Affairs (VA) and Housing and Urban Development (HUD), and several independent agencies, provides $112.7 billion for FY2002, including $85.4 billion in discretionary funds. The versions of H.R. 2620 passed by each Chamber were relatively close in the total amount approved for programs funded through the bill, although there were serious differences in some areas, and both versions differed from the Administration's request. For instance:

- Both Houses added to the request for VA medical programs, with the Senate adding $400 million, and the House, $303 million. Conferees split the difference, providing $351 million more than requested, but dropped a House plan to add $300 million to rehabilitate VA facilities to improve patient safety.
- The Senate offered slightly over $1 billion more than the House in housing and urban assistance money; the House had approved about $600 million less than the Administration requested. Conferees settled on $30.1 billion, $168 million more than the House bill, but $866 million less than the Senate, and $433 less than requested.
- The House added $229 million, and the Senate $435 million to the request for EPA. Conferees topped both bills, and added $586 million to the request.
- The House did not fund programs of the Corporation for National and Community Service (which supports AmeriCorp), while the Administration proposed to maintain almost the same funding as in FY2001, and the Senate approved that amount and added $4 million; conferees provided $13 million less than the Senate.
- The Administration did not request emergency funding for FEMA's disaster relief efforts; the House bill provided $1.3 billion in emergency relief funds, the Senate, $2 billion. Conferees provided $1.5 billion.
- The House added $367 million to the NSF request; the Senate added $200 million; conferees agreed to add $316 million to the request.
- The Senate added $50 million to the NASA request, while the House increased it by $440 million. Conferees settled on $282 million above the request.

The President requested $83.4 billion in discretionary funds for programs covered by VA-HUD appropriations. H.Con.Res. 83, the Concurrent Resolution on the FY2002 Budget adopted by Congress, assumed $84.1 billion in discretionary funds.

Following the September 11 terrorist attack, Congress enacted P.L. 107-38 to provide $40 billion in emergency supplemental appropriations to aid victims, bolster counter-terrorism, and pursue the investigation and prosecution of those responsible. The new law contains $34.4 million for FEMA, and $3.2 million for EPA responses to terrorist acts.

Key Policy Staff

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Keith Bea	Disaster Assistance; Emergency Mgmt.	G&F	7-8672
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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 H.R. 2620 as P.L. 107-73. *On November 26, 2001, President Bush signed the VA, HUD, Independent Agencies appropriations bill. Conferees finished their work on November 6, and both Chambers approved the Conference Report (H.Rept. 107-272) on November 8.*

Continuing resolutions start FY2002. *As FY2002 began on October 1, Congress provided a series of resolutions to provide federal programs continuing spending authority until final appropriations work is completed.*

Congress approves, President signs P.L. 107-38, an emergency supplemental in response to terrorist acts. *On September 18, the President signed H.R. 2888, a bill Congress unanimously approved (September 14) that provides $40 billion "...for additional disaster assistance, for anti-terrorism initiatives, and for assistance in the recovery from the tragedy that occurred on September 11, 2001, and for other purposes."*

House and Senate approve versions of VA, HUD, and Independent Agencies, FY2002 appropriations bills. *The Senate passed H.R. 2620, FY2002 funding for VA, HUD and Independent Agencies, on August 2, after amending it to substitute the text of the bill (S. 1216) reported by the Senate Appropriations Committee on July 19 (S.Rept. 107-43). The House passed its version of H.R. 2620 (H.Rept. 107-159) on July 31.*

President signs H.R. 2216 as P.L. 107-20, the FY2001 Supplemental Appropriations Act. *On July 24, the President signed H.R. 2216, supplementary appropriations for FY2001. (*For more information, see CRS Report RL30995, *Supplemental Appropriations for FY2001: Defense Readiness and Other Programs.)*

Status

Table 1. Status of VA, HUD and Independent Agencies Appropriations, FY2002

Subcommittee markup		House Report (H.Rept. 107-159)	Passed House	Senate Report (S.Rept. 107-43)	Passed Senate (as H.R 2620, amend.)	Conference Report (H.Rept. 107-272)	Conference Report approval		Signed P.L. 107-73
House (H.R. 2620)	Senate (S. 1216)						House	Senate	
7/10	7/19	7/17	7/31	7/19	8/2	11/6	11/8	11/8	11/26

Total Appropriations Enacted for FY2001 and Requested for FY2002 for VA, HUD, and Independent Agencies

Table 2. Summary of VA, HUD, and Independent Agencies Appropriations, FY2001-FY2002

(budget authority in billions)

Department or Agency	FY2001 enacted	FY2002 request	FY2002 House	FY2002 Senate	FY2002 Confer.
Department of Veterans Affairs	47.948	50.686	51.355	51.139	51.135
Department of Housing and Urban Development	28.476	30.581	29.980	31.014	30.148
Environmental Protection Agency	7.829	7.317	7.545	7.752	7.903
Federal Emergency Management Agency	4.440	2.213	3.557	3.278	3.058
National Aeronautics and Space Administration	14.285	14.511	14.951	14.561	14.793
National Science Foundation	4.426	4.473	4.840	4.673	4.789
Other Independent Agencies	.939	.889	0.512	0.932	0.915
Filipino veterans provision[a]	.003	--	--	--	--
Grand Total: Appropriations	**108.346**	**110.672**	**112.743**	**113.351**	**112.743**
Score keeping adjustments[b]	-0.370	4.196	-0.125	-0.004	-0.004
Receipts; misc. adjustments	*-0.182*	*-0.004*	*-0.125*	*-0.004*	*-0.004*
Advance approp. FY2002	*-4.200*	*4.200*	--	--	--
Advance approp. FY2001	*4.200*	--	--	--	--
Across the board cut (0.22%)	*-0.188*	--	--	--	--
Total: Fiscal Year mandatory and discretionary authority	**107.976**	**114.868**	**112.618**	**113.347**	**112.739**
Mandatory	*25.518*	*31.505*	*27.184*	*27.305*	*27.305*
Discretionary	*82.458*	*83.363*	*85.434*	*86.043*	*85.434*

Source: H.Rept. 107-159; S.Rept. 107-43; H.Rept. 107-148; H.Rept. 107-272

Note: Totals will not add due to rounding at agency level. Italics indicates lines are subsumed within entry above.

[a] P.L. 106-377 raised VA service-connected disability compensation for certain resident Filipino veterans with World War II service under U.S. Armed Forces command, from its current 50% level to full parity with amounts paid to U.S. Armed Forces veterans.

[b] Adjustments include various legislative changes, rescissions, cancellations, receipts, supplementals, advance appropriations, accounting changes, and reestimates of program experience.

Key Policy Issues

Terrorism: Federal Emergency Responses

P.L. 107-38, Special Emergency Supplemental Legislation (H.R. 2888/S. 1426). On September 18, 2001, the President signed P.L. 107-38, a bill Congress unanimously approved to provide $40 billion in supplemental funds in response to the terrorist attacks on September 11. The bill makes $10 billion immediately available to the President's Emergency Response Fund, for disaster relief and recovery. Another $10 billion will become available after the Office of Management and Budget (OMB) submits its plan to Congress for the allocation of those funds. The remaining funds will be added to the appropriations bills currently working their way through the appropriations process.

An August 2001 OMB report, Annual Report to Congress on Combating Terrorism, provides guidance as to the likely effect on the programs funded through the VA, HUD, Independent Agencies bill (H.R. 2620). Although all federal agencies have responsibilities to protect citizens, employees, and physical assets of the federal government, FEMA and EPA have direct responsibilities for responding to such acts, usually through assisting with recovery and environmental aftermath of terrorist activities. According to the report, for FY2002, the Administration requested $34.4 million for FEMA, and $3.2 million for EPA to prepare for such needs.

For further information on congressional responses to the terrorist threat, see CRS Report RL31187, *Terrorism Funding: Congressional Debate on Emergency Supplemental Allocations*, by Amy Belasco and Larry Nowels; and RL31173, *Terrorism Funding: Emergency Supplemental Appropriations – Distribution of Funds to Departments and Agencies*, by James R. Riehl.

Specific responses by FEMA. P.L. 107-38 provides broad authority for the President to transfer portions of the $40 billion "to any authorized federal government activity" to assist victims of the September 11 attacks and to manage consequences of the attacks. Of the five purposes set out in the legislation, three appear to be related to the mission of FEMA—"providing federal, state, and local preparedness for mitigation and responding to the attacks," "repairing public facilities and transportation systems damaged by the attacks," and "supporting national security."

The amount of funding to be made available to FEMA cannot be determined, but the act specifies that at least $20 billion is reserved for the costs associated with the disasters associated with the three terrorist acts in New York, Virginia, and Pennsylvania. As the lead agency for coordinating federal disaster response activities, FEMA directs mission assignments to federal agencies, including the removal of debris and activities that minimize future property losses from the catastrophes.

Specific responses by HUD. HUD has taken steps to alleviate some of the adverse affects of this incident. HUD Secretary Martinez has encouraged all home mortgage lenders, including those with loans not insured by the FHA, and Freddie Mac and Fannie Mae, to give relief to families affected by terrorist attacks. In past natural disasters, lenders have been asked not to start or threaten foreclosures for at least 90 days, while families are recovering from the financial problems caused by the loss of a family member or by the loss of employment. HUD's Government National Mortgage Association, Ginnie Mae, will also encourage lenders to follow HUD's homeowner relief guidance by advancing payments to Ginnie Mae securities investors that a lender might otherwise make from homeowners mortgage payments.

HUD's assistance to the victims of the terrorism attacks will also include:

- A hotline number for HUD's Housing Counseling clearinghouse (1-800-217-6970), a nationwide referral center that provides information on housing counseling services available in areas across the country.
- Providing temporary housing and shelter for disaster victims. HUD will work with FEMA to identify vacant HUD-owned homes and multifamily units that can be used as temporary housing for those forced from their homes.
- Requesting that all HUD-approved agencies reach out to affected families and provide services to all those in need of shelter and/or financial assistance.
- Providing counseling grants, should counseling agencies need additional resources to provide services.

HUD's Mortgagee Letter 01-21, *Relief Options for Borrowers Affected by the Events of September 11, 2001*, details options available for affected families with FHA-insured mortgages who cannot make their loan payments. The letter can be found at: [http://www.hud.gov/fha/mletters/mltrmenu.html].

Department of Veterans Affairs

With final passage of H.R. 2620, Congress provided $51.135 billion for programs of the Department of Veterans Affairs (VA) for FY2002. According to congressional estimates, the Administration requested $50.7 billion for VA programs for FY2002.

In passing H.R. 2620, the House approved $51.4 billion for VA programs for FY2002; the Senate version of the bill contained $51.1 billion. The difference was primarily in a fund the House bill proposed that would have provided $300 million to upgrade VA medical facilities for safety, and for corrections of earthquake damages.

The Concurrent Resolution on the Budget for FY2002 (H.Con.Res. 83) assumed that the ultimate amount appropriated would be $51.5 billion, after improvements to the Montgomery GI Bill and veterans burial benefits were adopted. Conferees on the Resolution rejected recommendations approved by each House that would have provided for additional VA spending. The House had approved $52.3 billion and the Senate $53.8 billion, in their respective versions of the Resolution.

Congress appropriated $47.9 billion for VA for FY2001, $25.5 billion of which was for mandatory spending for cash benefit programs. Mandatory spending for VA entitlements is projected to rise by $1.8 billion during FY2002, to a total of $27.3 billion. Congress provided $22.4 billion for discretionary programs for FY2001, $20.3 billion of which is for medical care. The Administration requested $23.4 billion for discretionary programs for FY2002; House bill approved $24.05 billion, the

Senate approved $23.83 billion. The Administration requested $21 billion for medical care for FY2002; the House approved $21.3 billion, the Senate provided $21.4 billion.

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

Table 3. Department of Veterans Affairs Appropriations, FY1997-FY2001

(budget authority in billions)

FY1997	FY1998	FY1999	FY2000	FY2001
$40.33	$42.41	$44.25	$46.04	$47.95

Source: Figures for FY1997-FY2000 are from administration budget submissions of subsequent years; figures for FY2001 are from H.Rept. 107-159, and are the latest available estimates 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 Cash Benefits. Spending for VA cash benefit programs is mandatory, and amounts requested by the budget are based on projected caseloads. Definitions of eligibility and benefit levels are in law. For FY2001, $25.5 billion was estimated to have been required for these entitlements, mostly service-connected compensation, means-tested pensions, and Montgomery GI-Bill education payments. The entitlement programs are estimated to cost $27.3 billion during FY2002.

Veterans Housing Benefits. Historically, the opportunity for veterans to have home loans guaranteed by the federal government contributed significantly to the national goal of increasing the number of families who owned 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 are obligations of the federal government that constitute mandatory spending; administrative expenses are discretionary appropriations transferred from the home loan programs to the General Operating Expenses account.

Medical Care. Conferees settled on $22.022 billion, including an estimated $691 million in recycled receipts from cost recoveries, as the amount that would be available for VA medical care during FY2002. The Administration had requested $21.671 billion in spending authority for VA medical care for FY2002, an increase of $750 million over the $20.921 billion approved for FY2001, which was an increase of nearly $1.3 billion over FY2000. Congress approved $19 billion for FY2000, after adding $1.7 billion to the Administration's request of $17.3 billion. The House approved $21.3 billion for VA medical care programs for FY2002; the Senate version of the bill provided $21.4 billion. In nominal dollars, VA medical care costs have increased by 24% over the amount requested 2 fiscal years earlier, an indication of the blooming demand by veterans for VA medical care.

The following table shows appropriations to VA for FY2001, the Administration's request for FY2002, amounts recommended by each House's version of H.R. 2620, and the amounts ultimately enacted by Congress and signed by the President.

Table 4. Appropriations: Department of Veterans Affairs, FY2001-FY2002

(budget authority in billions)

Program	FY2001 enacted	FY2002 request	FY2002 House (H.R. 2620)	FY2002 Senate (S. 1216)	FY2002 enacted P.L. 107-73
Comp., pension, burial	23.356	24.944	24.944	24.944	24.944
Insurance/indemnities	.020	.026	.026	.026	.026
Housing programs	.166	.204	.204	.204	.204
Readjustment benefits	1.981	2.135	2.135	2.135	2.135
Subtotal: Mandatory	*25.522*	*27.309*	*27.309*	*27.309*	*27.309*
Medical care[a]	20.282	20.980	21.282	21.380	21.331
Med., prosthetic research	.351	.360	.371	.390	.371
Medical Administration	.062	.068	.067	.068	.067
General operating exp.	1.050	1.195	1.196	1.195	1.196
Admin. expense (hsng.)	.163	.165	.165	.165	.165
Nat'l Cemetery Admin.	.110	.121	.121	.121	.121
Inspector General	.046	.048	.052	.048	.052
Construction, major	.066	.183	.183	.155	.183
Facility rehab. fund	--	--	.300	--	--
Construction, minor	.171	.179	.179	.179	.211
Grants; state facilities	.100	.050	.100	.100	.100
Parking, revolving fund	—	.004	.004	.004	.004
State veteran cemeteries	.025	.025	.025	.025	.025
Subtotal: Discretionary	*22.426*	*23.377*	*24.046*	*23.830*	*23.827*
Subtotal: (VA)	**47.948**	**50.686**	**51.355**	**51.139**	**51.135**

Source: H.Rept. 107-159; S.Rept. 107-43; H.Rept. 107-148; H.Rept. 107-272

Note: Rounding may cause discrepancies in subtotals.

[a] Medical Care Collections Fund (MCCF) receipts are restored to the Medical Care account, as an offset equal to the estimated recovered spending authority ($639 million for FY2001). H.Rept. 107-159 estimates $691 million in MCCF receipts will be restored in FY2002, plus $121 million in receipts to the Health Services Improvement Fund (HSIF), which receives funds from various consolidations and liquidations of VA capital assets, for a total of $812 million

in recovered spending authority. H.Rept. 107-159 treats HSIF receipts as an offset against mandatory spending in H.R. 2620, but not specifically as an offset to mandatory spending totals by VA. S.Rept. 107-43 estimates $691 million in MCCF receipts for FY2002, and is silent on the HSIF; conferees accepted the Senate approach and estimates.

Increasing patient load and expanding access. For several years, VA has been expanding access to medical services by transferring medical personnel slots from inpatient settings to more efficient outpatient care venues. As a result, the unique patient count is projected to continue increasing, rising above 4 million annually by the end of FY2001. The long-term decline in inpatient admissions reversed, with admissions increasing from an average of 78,345 daily inpatients in FY2000 to an estimated 80,540 in FY2001. Outpatient care is climbing at a faster rate, and the increase in total patients, combined with additional resources for VA medical care, probably accounts for the increase in inpatient care, as more patients examined means more cases identified that might benefit from the intensive services provided on an inpatient basis.

In spite of the growing caseload, VA estimates that it will reduce the number of personnel engaged in direct patient care by 1,290 staff slots during FY2002, and total employment in VA health care will decline by 2,200 slots, according to VA estimates. VA has enrolled all veterans who applied to its health care plans, which are administered by VA through 22 regional Veterans Integrated Service Networks (VISNs). VA considered limiting enrollments during FY2002, but VA Secretary Principi announced on November 29, 2001 that enrollments of all veterans who sought enrollment would continue for at least another year.

Receipts to the medical care account from recovered costs. In addition to funds directly appropriated to VA for medical care, the Congressional Budget Office estimates that $639 million more in medical care funding was provided in FY2001 from the Medical Care Cost Collections Fund (MCCF). The MCCF collects payments from insurance companies with joint coverage of veterans receiving care in VA facilities, and from veterans obligated to share in the cost of their VA medical care. Proceeds of the fund are returned to VA medical care programs, primarily to the facilities responsible for their collection. The Millennium Health Care Act (P.L. 106-117) also made available to the medical care program, proceeds from improved use of VA capital assets, including rental of space, contracting for services, and sale of surplus facilities.

P.L. 106-117 authorized VA to increase prescription drug copayments ($2 monthly per prescription, for veterans ineligible for free prescriptions), while establishing a maximum annual and monthly copayment for veterans with multiple prescriptions. The new law also authorized VA to modify the outpatient copayment for "higher income" veterans. Funds collected through the new authorizations are to be deposited in the Health Services Improvement Fund (HSIF), which the Act authorized VA to establish to receive these additional copayments, as well as reimbursements from the Department of Defense (DoD) for certain military retirees served by VA, and funds collected under arrangements in which the leasing of VA facilities and services yields income to VA facilities.

As with the funds of the MCCF, the HSIF proceeds can be used to furnish additional medical services, thereby expanding the number of veterans served by the

VA medical care system. In addition, P.L. 106-117 authorized the creation of a third fund, called the Extended Care Revolving Fund (ECRF), for the receipt of per diem and copayments from certain higher income veterans receiving extended care services from VA. One of the purposes of the Millennium Health Care Act is to expand the availability of extended care, and the Act expects to offset some of the additional costs of such expansion by increasing the charges for extended services for veterans who are assumed to have a greater ability to pay for their care.

H.Rept. 107-159 estimates that the combined amount of the MCCF, and the Health Services Improvement Fund (HSIF) will total $812 million for FY2002. S.Rept. 107-43 does not estimate funds for the HSIF, and accepts the Administration's estimate of recoveries of $691 million to the MCCF. Conferees did not accept the House approach to estimating resources, nor its proposed HSIF, and accepted the Administration's estimate, as endorsed by the Senate.

The conferees were concerned about the inability of VA to collect all of the funds due the MCCF, and instructed the Department to install, in one of the 22 VISNs (but with applicability to all VISNs), using a private contractor and at least $3 million, a 2-year project that demonstrates a total "patient financial services system." The conferees emphasized that "an essential element of this demonstration is the effective use of private sector business services in concert with VA employees."

Atypical anti-psychotic medications. Over the last few years, some veterans organizations have become concerned that the shift to more outpatient care has left seriously mental ill patients without adequate or appropriate treatment. Some suggest that VA's push to greater efficiency has led its physicians to prescribe anti-psychotic medications according to cost-saving or other non-medical determinations, rather than choosing the best medication for each particular case. Some suggest that the emphasis on outpatient care has encouraged a management approach to treatment, in which the primary objective is to keep patients manageable in an outpatient modality.

In this view, the treatment plan is not designed with the primary purpose of improving the patient's mental health, but to lessen the burden the patient places on the broader society within which the patient lives. By this view, medications are primarily used to gain or retain stabilization so that outpatient treatment can continue. In the event that outpatient treatment is not successful, then the medications are thought to be intended to keep inpatient mental illness cases manageable with fewer staff required.

The conferees acknowledged that there is an "abundance of conflicting information and lack of uniformity across VA's health system in regard to atypical anti-psychotic medications." In addressing the concerns of critics of perceived or potential VA irregularities in the treatment of mental illness, the conferees stress that prescribing practices of these drugs "...must not be used as performance indicators when evaluating a physician's work; nor should price, market share, and corporate interest factor into choosing the best drug to treat mental illness...[and VA must] communicate clearly to each doctor, facility director, and pharmacy manager that atypical anti-psychotic pharmaceutical prescribing practices are not to be used as a measure of job performance...physicians are to use their best clinical judgement."

While the conferees want VA to make its physicians aware "....that there is a wide price disparity...." among these drugs, and VA "...should feel free to also communicate relative cost data for all atypical anti-psychotic drugs to its physicians," the conferees also direct VA "to keep an open policy with regard to formulating new schizophrenia and serious mental illness treatment protocols as new treatments become available, but those protocols should be based on scientific and clinical studies showing improvements in treatment efficacy or a decrease in side-effects, with cost savings as a subordinate goal...."

Response to Hepatitis C (HCV). Some evidence suggests that veterans have a substantially higher infection rate for this dangerous communicable disease. A VA survey 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. Leading veterans groups and some health care professionals have advocated an aggressive response by VA to combat the threat, and the Administration's budget estimates that funding (within the VA medical care budget) for the diagnosis and treatment of infected veterans will rise to $172 million in FY2002, up from $152 million in FY2001, and $100 million in FY2000. (In documents published in previous years, VA estimated expenditures on HCV using different accounting methods, and the amounts spent on HCV appear to be larger than shown here for FY2000-FY2002. The apparent differences do not indicate policy changes.)

Medical research. The House bill approved $371 million for VA medical research projects for FY2002; the Senate bill contained $390 million; the Conference settled on the House level of $371 million. With respect to intellectual property rights, the conferees directed VA to report to the Committees on Appropriations by February 1, 2002, on how VA plans to reconcile the interests of its university research partners as reflected by VA's sharing agreements with research institutions, and the federal requirements that are placed on similar agreements utilized by other agencies.

The Administration requested $360 million for FY2002, up from the $351 million Congress appropriated for VA medical research in FY2001. Congress appropriated $321 million for medical and prosthetic research in FY2000.

VA Construction. The conference agreed with the House level of $183 million for major construction projects for FY2002, and approved $211 million for minor construction projects. The minor construction level in the final version of the bill is $32 million more than requested, or approved by either House.

The House had approved the Administration's request for $183 million for major construction projects; the Senate version of the bill approved $155 million. The Administration requested $179 million for minor construction (projects with an estimated cost under $4 million); both versions of the bill approved that amount. FY2001 appropriations were $66 million for major construction and $171 million for minor construction. Congress appropriated $65 million for major construction, and $160 million for minor construction for FY2000.

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. The House bill establishes a fund for the rehabilitation of existing facilities for which safety or seismic concerns exist, and would appropriate $300 million to be used in conjunction with the CARES process. The purpose of the rehabilitation fund is to assure that patient safety is not compromised in unsafe facilities, while the realignment of resources is underway.

Conferees did not adopt the House recommendation, but expressed strong support of the CARES review process, and specified that $60 million in the major construction budget is to be used to support CARES initiatives.

Program Administration. The House approved $1.196 billion for General Operating Expenses (GOE) for FY2002; the Senate approved $1.195; the final bill uses the House level. The Administration had requested $1.195 billion, up from $1.05 billion in FY2001. The request for FY2002 medical administration funds was $68 million, up from $62 million appropriated for FY2001. The House bill provided $67 million, and the Senate $68 million. The difference between the two versions of the bill in the administrative cost area is traceable to accounting differences. Conferees agreed to the House level, and instructed VA to provide detailed accounting of how VISNs will improve financial management to avoid shortfalls of the kind that required 3 VISNs to seek supplemental funding during the second consecutive year. For FY2000, Congress provided $913 million for GOE, and $60 million for medical care administration.

VA employment estimates. The Administration projects overall VA employment will average 204,670 in FY2002, down from an estimated average of 205,896 in FY2001, and 202,621 in FY2000. Much of the decline will be in medical staff.

Department of Housing and Urban Development

Introduction. Most of the appropriations for 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 rental housing. The two large HUD block grant programs also help communities finance various efforts to address these housing issues.

Summary: Appropriations for HUD Programs. Conferees provided HUD with $30.15 billion for FY2002, a $1.67 billion (6%) increase above the FY2001 level of $28.48 billion, but $433 million less than the Administration's request. Conferees provided more than half of the HUD budget, a total of $16.28 billion (including $640 million made available by reducing Section 8 reserve funds) to renew all Section 8 expiring contracts, add an additional 25,900 vouchers, and pay for contract administration and various tenant protection assistance.

Conferees approved nearly $3.5 billion for the Public Housing Operating Fund, an increase of $253 million over last year's level, but required that Drug Elimination Grants be paid from the fund. In FY2001, Drug Elimination Grants were funded separately at $310 million. The Public Housing Capital Fund received $2.84 billion, a decrease of $157 million from last year. Conferees agreed to $574 million for the HOPE VI program. Housing for people with AIDS was funded at $277 million, up by $19 million from last year's appropriation. Housing programs for the elderly and disabled were given $1.024 billion; of that amount, $241 million was specified for housing for the disabled, an increase of $24 million for those housing assistance programs. Conferees agreed to $1.12 billion for Homeless Assistance Grants, $98 million above last year's appropriation. However, that level includes the funding for the Shelter Plus Care Renewal program, which was funded during FY2001 by a separate appropriation of $100 million.

Community Development Block Grants received $5 billion, about $58 million less than last year. The HOME program received $1.85 billion, $46 million more than the FY2001 funding level. Empowerment Zones received $45 million compared to $75 million last year and the Administration's request for $150 million.

Improving HUD management. HUD Secretary Martinez has said he intends to focus on internal HUD management issues, and wait for the recommendations of the Millennial Housing Commission (due early in 2002) before starting new initiatives or programs. Although a recent GAO study found improvements in HUD operations (*HUD Management: Progress Made on Management Reforms, but Challenges Remain*), GAO found that serious problems remain. Secretary Martinez said he would consider consolidating some of the more than 300 HUD programs, as well as speeding up the decision-making process by giving HUD field offices more authority to act without having to get approval from headquarters. The Secretary also said he intended to evaluate the adequacy and effectiveness of HUD staff (now at about 10,000, down from a high of 17,000), and whether the work performed by them is appropriate to HUD's mission. The GAO report questioned whether HUD had adequately prepared for replacing retiring employees with knowledgeable successors, given that 40% of HUD's employees are eligible to retire within 5 years.

Management of unspent funds. In recent years, problems in obtaining accurate and timely information about the nature, amount, and availability of unspent balances has made it difficult for Congress to determine the policy effect of any specific funding level for a number of HUD programs. The problem has been particularly concentrated in the two main rental housing assistance programs, the Housing Certificate Fund, and the public housing programs, which together account for nearly 75% of the $30 billion appropriated to HUD for FY2002.

Much of the problem arises from the need for HUD to disburse its funding assistance to semi-autonomous local entities, known as Public Housing Authorities (PHAs). PHAs evaluate a specific eligible family's housing needs, generally addressing these needs by providing housing vouchers. Ideally, the supply of suitable units available in the local community would be adequate for families to make use of their vouchers, but evidence abounds that this ideal is rarely matched by experience. PHAs also manage over 1.2 million public housing units. While PHAs are usually in the best position to manage the problems arising from particular cases and localized housing issues, the downward flow of HUD funds reflects national priorities determined by Congress and administered by HUD. Inevitably, incomplete and delayed procedures make tracking the funds somewhat difficult and often imprecise, as the flexibility necessary to achieve policy purposes can conflict with accounting cycles.

In testimony before the Senate's Banking Subcommittee on Housing and Transportation, GAO noted that HUD had recaptured (or taken back from PHAs) about $3 billion each year between fiscal year 1998 and 2000, and that Congress has rescinded (cancelled) almost $2 billion from Housing Certificate Fund (HCF) balances in each of the past 2 years, using the funds for other purposes. In its FY2001 appropriation, Congress provided the HCF with $4.2 billion in advanced appropriations that will be available for spending in FY2002, and GAO asked how much additional funding is actually needed for the Fund for FY2002, given the combination of recaptures, rescissions, and advance appropriations. The $4.2 billion was not designated for any program activity in FY2002, and the GAO concluded that "[w]hile HUD may need to carry over some unobligated funds from one fiscal year to the next, HUD has not provided rationale supporting $4.2 billion as the amount of unobligated balances it needs..." (The FY2002 HUD budget passed by Congress on November 8, 2001, also contains a $4.2 billion advance appropriation, for which full spending authority will be delayed until FY2003.)

Thus, the amounts appropriated in recent years for particular programs have become less of an indicator of what was spent the previous year, during that year, or during the following year. HUD reports that there was a total unexpended balance of over $36 billion in various HUD program accounts during FY2001.

The matter of unspent funds prompted debate over HUD's proposal to cut $707 million from the public housing capital fund for FY2001. Earlier in the year, HUD estimated that PHAs had over $6 billion in unspent funds for public housing, which was more than adequate to fund 2 years at the current spending rate, and concluded that putting more funds into the pipeline was not necessary. PHAs countered that HUD had been slow in getting the funds out to them, a claim acknowledged by HUD.

Conferees addressed the issue of unspent funds in a number of ways. Of the $2.84 billion approved for the public housing capital funds, $550 million is to be allocated only to those PHAs that are in compliance with timeliness requirements under the Quality Housing and Work Responsibility Act of 1998. P.L. 107-73 includes language that requires the recapture of funds from PHAs that are not in compliance with the 1998 Act's timeliness requirements. The conferees also request HUD to provide quarterly reports on PHA utilization of capital funds, with the first report due by February 1, 2002.

Debates over the use of "excess" mortgage insurance premiums to fund HUD rental production programs. Some analysts have identified what they believe is a surplus of reserves in the basic FHA mortgage insurance program. In their view, funds collected as mortgage insurance premiums that exceed the rate at which payments must be made to cover insured events (plus a reasonable contingency reserve), should be put to a public policy purpose, rather than allowed to languish in a federal account with no particular advantage accruing to anyone as a result of the growing balance. Several "National Affordable Housing Trust Fund" bills in the 107th Congress, for example, H.R. 2349 and S. 1248, reflect this view. Another view suggests that instead of using a growing balance in the fund for an unrelated purpose, the premiums should be lowered to more closely approximate the actual experience of mortgage insurance liabilities (for example, S. 607).

During the past decade, mortgage insurance premiums, the main income of the FHA single-family program, have greatly exceeded the losses from mortgage foreclosures. The $5 billion of reserves frequently cited over the past few years as a potential source of income for a rental housing production program, was the excess of premiums over expenditures and reserves during FY1998-FY1999. The Congressional Budget Office (CBO) and the Office of Management and Budget (OMB) recently reclassified these excess reserves (above the required "capital ratio"), no longer treating the entire amount of the growing fund balance as unobligated "mandatory" spending authority, but treating the amount determined as excess as unobligated "discretionary" spending authority.

The effect of this "scoring" change, meant that, at least in part, the FY2001 estimate of VA/HUD appropriations was revised downward from $30.7 billion to $28.5 billion, as approximately $2.25 billion of FHA "negative subsidies" were moved from an accounting category of unobligated mandatory spending, to the discretionary side of the ledger, which shows them as unspent discretionary funds. The conference report for the FY2002 HUD budget (H.Rept. 107-272) shows $2.32 billion of negative subsidies. As a result of the accounting change, these negative subsidies reduce the apparent total of appropriations to HUD for discretionary programs, and are subtracted from that fiscal year's discretionary appropriation.

Because these excess reserves were already within the federal budget (and until recently, at least, contributing to the budget surplus), they are not excess funds from the perspective of the federal budget or to federal taxpayers. Premiums paid to the insurance account are federal revenues; payments from the account are federal expenditures. Any excess of revenues over expenditures contributes to the federal surplus (or would offset a federal deficit, if one exists). The excess in the insurance account can be drawn down for other HUD programs, but such a proposal must go through the normal appropriation process: it would be spending authority that is ultimately drawn from federal revenues, and counted within the federal budget accordingly. Thus, any projected fund excess that is reclassified as discretionary cannot be treated as new money that previously had not been counted within federal budget totals.

An undated written CBO response to the House Financial Services Housing Subcommittee explains that, after extensive discussion, CBO and OMB agreed to reclassify the FHA's Mutual Mortgage Insurance and Cooperative Housing Mortgage Insurance (MMI/CHMI) fund excess as "discretionary" rather than "mandatory," clearing the way for the excess to be offset against other discretionary spending in the upcoming VA-HUD appropriations bill, as well as in the totals for HUD appropriations over the last several years. The CBO memorandum says that the change in the scoring method should have no effect on the amount of budgetary resources available to HUD or any congressional committee.

A February 2001 GAO report (*Mortgage Financing: FHA's Fund Has Grown, but Options for Drawing on the Fund Have Uncertain Outcomes*; GAO-01-460) concluded that the FHA may actually have taken on more high-risk borrowers in recent years and as a result, may need more reserves than immediate past experience suggests is necessary, in order to weather a serious economic downturn. With increasing unemployment and an FHA loan delinquency rate over 10%, the FHA reserve fund could begin to decrease. In any event, using the insurance fund to build more affordable rental housing would have to go through the normal appropriation process regardless of the amount of existing FHA insurance reserves. The reserve is simply an account balance within the budget, not a source of unspent funds available for reprogramming without further effect on the federal budget, or to taxpayers.

Table 5. Department of Housing and Urban Development Appropriations, FY1997 to FY2001

(budget authority in billions)

FY1997	FY1998	FY1999	FY2000	FY2001
$16.30	**$21.44**	**$24.08**	**$25.92**	**$28.48**[a]

Source: Figures for FY1997-FY2000 are from administration budget submissions of subsequent years; figures for FY2001 are from H.Rept. 107-159, and are the latest available estimates 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] Reflects $1.83 billion in rescissions required by **P.L. 106-377**; also includes $-2.246 billion in excess mortgage insurance premiums (scored as an offset against discretionary spending within the Federal Housing Administration). Because of the scoring change, the estimate for FY2001 is not comparable to figures shown for previous fiscal years.

The Major Housing Policy Issue: Affordable Rental Housing. The slower economy of the last several quarters could limit rent increases in some areas of the country, but it is unlikely to bring significant relief to lower-income households looking for affordable rental housing. The strong economy of the previous half dozen years created a large number of new jobs and increased incomes, putting substantial pressures on housing markets. Increased demands lowered vacancy rates and pushed rents higher, as more people entered the rental market with sufficient incomes to avoid sharing apartments and houses. While this increased demand encouraged more units to be built, rents for these new dwellings are almost always out of the range of lower income families. Restrictive zoning, building codes, and local opposition have made it difficult to construct basic rental housing affordable to lower-income families.

The tight rental market has not escaped the attention of landlords participating in federally-assisted rental programs for lower-income families, thereby contributing to the difficulty tenants have in finding affordable apartments. With more profitable alternatives available, some rental property owners have decided not to renew their federal contracts. Older apartment buildings with lower rent units continue to be torn down or renovated for an upscale market, as the tight rental market pressures generate more profitable alternatives for investors in rental housing. Fewer apartment owners in the suburbs of metropolitan areas are willing to rent to subsidized tenants, either because the owners want to avoid bureaucratic program "red tape" or because the value of the voucher is not sufficient for subsidized tenants to afford the units.

Early in 2001, HUD reported that American Housing Survey data from the U.S. Census Bureau showed a drop from 1997 to 1999 in the number of "worst case" renters – those who pay more than half their income for housing or live in substandard housing, and have incomes below 50% of the local median, but who receive no assistance.[1] Their numbers fell for the first time in 10 years, from 5.4 million households in 1997 to 4.9 million in 1999. This decline was likely the result of increases in income among very-low income renters, rather than an expansion in the number of rental housing units affordable to them. The median incomes of this group rose 14%, while rents rose 6%.

The National Housing Conference (NHC) has also examined 1997 and 1999 American Housing Survey data, looking at households with critical housing needs – those paying more than 50% of their income for housing – but focused on those with moderate to lower middle-incomes. These are households with incomes from 80% to 120% of the local median income. In February 2001, the NHC reported that the number of such households with critical housing needs had increased 74%. These households are much less likely to receive rental assistance than those with incomes below 50% of the local median.

Thus, the NHC concluded that affordable housing problems had moved up the income ladder. Media attention has focused on the trouble public safety officers, teachers, fire fighters, and other municipal employees, who generally fall into this 80%

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[1] *A 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.

to 120% median income category, have been having in finding affordable housing. A June 2000 NHC report stated that having a 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."[2]

After a long hiatus, Congress appropriated money for 50,000 additional housing vouchers in FY1999, 60,000 in FY2000, and 79,000 in FY2001 (bringing the estimated total number of vouchers to about 1.4 million in FY2001). The Administration proposed an additional 34,000 for FY2002. However, the Committees on Appropriations have become concerned about the difficulty that some PHAs have in putting these vouchers to use. H.Rept. 107-159 reports that the average utilization of vouchers has fallen from 96.7% in FY1999, to an estimated 92.4% in FY2001. The conference agreement (H.Rept. 107-272) specifies that $144 million will be given to fund 25,900 additional vouchers for FY2002. In an effort to get PHAs to be more proactive and creative in making use of all of their vouchers, conferees made $104 million of the $144 million available on a fair share basis only to those PHAs that have no less than a 97% utilization rate of their existing vouchers.

In 39 tight rental markets, HUD now permits the allowable rent level (Fair Market Rents or FMRs) for rental units eligible for subsidization to be based on the 50^{th} percentile for the local rental housing market, rather than the previous 40^{th} percentile. To increase the chances of families being able to use their vouchers, last year's appropriations bill allowed public housing authorities to increase, under certain circumstances, their payments for assisted rents under Section 8, to a maximum of 150% of the FMR. Other expected improvements to make vouchers more effective include help by PHAs in paying security deposits, giving counseling to PHAs on how to be more aggressive in reaching out to landlords, and giving landlords more incentives to participate in the rental program. Finally, HUD has promised to improve its acknowledged tardiness in getting funds to PHAs in a timely manner.

The voucher utilization issue has led to discussions about the need for a HUD rental housing production program (along with a renewed determination to preserve the existing stock of affordable rental housing). The Senate Committee on Appropriations expressed its concern 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." While a small number of new apartments have been built for the elderly in recent years, HUD has largely been out of the business of subsidizing new construction since the 1970s. However, Congress enacted P.L. 106-554 in 2000, which increases the Low Income Housing Tax Credit by 40%, in an effort to stimulate additional affordable rental housing production by a projected 30,000 units a year.

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[2] 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.

For additional information on housing issues, see CRS Report RL30916, *Housing Issues in the 107th Congress*, by Richard Bourdon. See also CRS Report RL30486, *Housing the Poor: Federal Programs for Low-Income Families*.

Lower income and minority homeownership initiatives. In early 2001, Secretary Martinez said he would limit new initiatives to those presented by the President in his election campaign, including a proposal that homeownership opportunities would be expanded for lower income and minority families. The current homeowner rate for minorities, and for many central cities, is below 50%, while the rate for non-Hispanic whites reached a record 74.6% in the third quarter of 2001. Several of the Administration's proposed homeownership initiatives are within HUD; a fourth proposes changes to the tax code.

One initiative would set aside $200 million from the HOME program for an American Dream Down Payment Fund, to provide a 3-for-1 match of third-party contributions, up to a maximum of $1,500. The House agreed to $200 million for this initiative, but the Senate bill did not contain any funding. Conferees approved $50 million for this new program.

Under a second initiative, HUD will seek authority to allow the FHA to offer low-income families hybrid adjustable rate mortgages that would have lower rates for an initial number of years (for example, the first 3, 5, or 7 years), with annual adjustments thereafter, indexed to Treasury securities. A third initiative would create a $1.7 billion tax credit over 5 years to support the rehabilitation or new construction of an estimated 100,000 homes for purchase by low-income households.

Table 6. Appropriations: Housing and Urban Development, FY2001-FY2002

(budget authority in billions)

Program	FY2001 Enacted	FY2002 Request	FY2002 House (H.R. 2620)	FY2002 Senate (S. 1216)	FY2002 Confer. (H.R. 2620)
Housing certificate fund	13.941	15.717	15.694	15.659	15.641
Appropriation	*9.741*	*15.717*	*11.494*	*11.459*	*11.441*
Advance appropriation	*4.200*	--	*4.200*	*4.200*	*4.200*
Sec.8 recaptures (rescissions)	-1.947	–	-.886	-.615	-1.200
Public housing capital fund	3.000	2.293	2.555	2.943	2.843
Pub. housing operat. fund	3.242	3.385	3.495	3.385	3.495
Drug elimination grants	.310	--	–	.300	--
Revitalization of distressed public housing (HOPE VI)	.575	.574	.574	.574	.574
Native American housing block grants	.650	.649	.649	.649	.649
Indian housing loan guar.	.006	.006	.006	.006	.006

Program	**FY2001 Enacted**	**FY2002 Request**	**FY2002 House (H.R. 2620)**	**FY2002 Senate (S. 1216)**	**FY2002 Confer. (H.R. 2620)**
Native Hawaiian loan guar.	–	–	–	.001	.001
Hsng., persons with AIDS	.258	.277	.277	.277	.277
Rural Housing; Economic Development	.025	--	–	.025	.025
Empowerment zones; enterprise communities	.200	.150	–	.075	.045
Community Devel. Blk. Grant[a]	5.124	4.802	4.812	5.013	5.000
Sec.108 loan guar.; subsidy	.030	.015	.015	.015	.015
Brownfields redevelopment	.025	.025	.025	.025	.025
HOME Invest. Partnerships	1.800	1.796	1.996	1.796	1.846
Homeless Assist. Grants	1.025	1.023	1.028	1.023	1.123
Shelter Plus Care Renew.	.100	.100	–	.100	--
Housing for special populations	.996	1.001	1.024	1.001	1.024
Housing for the elderly	*.779*	*.783*	*.783*	*.783*	*.783*
Housing for the disabled	*.217*	*.218*	*.241*	*.218*	*.241*
Federal Housing Admin. (net)[b]	-1.341	-1.671	-1.707	-1.671	-1.671
GNMA (net)[c]	-.338	-.373	-.373	-.373	-.373
Research and technology	.054	.043	.047	.053	.050
Fair housing activities	.046	.046	.046	.046	.046
Office of lead hazard control	.100	.110	.110	.110	.110
Millenial Housing Comm.	--	.002	–	--	--
Salaries and expenses	.543	.556	.546	.546	.556
Inspector General	.053	.062	.062	.067	.067
Rescissions; legislative savings	--	-.007	-.015	-.015	-.026
Subtotal (HUD) net	**28.476**	**30.581**	**29.980**	**31.014**	**30.148**

Source: H.Rept. 107-159; S.Rept. 107-43; H.Rept. 107-148; H.Rept. 107-272

Note: Rounding may cause discrepancies in subtotals.

[a] P.L. 106-554, FY2001 appropriations for the Departments of Labor and Health and Human Services (Labor-HHS), included $110 million for HUD's empowerment zones program, and

$66 million for CDBG, and those amounts are incorporated into the program baseline for FY2001.

[b] Net, interagency transfers and offsetting receipts against appropriations of the current year; included in the totals are experience gains on premiums to the mortgage insurance fund, which are now treated as offsetting receipts against discretionary funds. The effect is estimated to be $-2.246 billion for FY2001, and $-2.323 billion for FY2002.

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

Housing Certificate Fund: A Closer Look. The Housing Certificate Fund (HCF) is the major disbursing mechanism through which HUD provides funding to local entities responsible for administering project-based housing programs and direct low-income rental housing subsidies (vouchers). The Administration requested $15.7 billion for the Housing Certificate Fund in FY2002, for an increase of $1.8 billion over the FY2001 funding level of $13.9 billion. Of this amount, $197 million was for 34,000 incremental vouchers to add new families to the assisted housing roles.

Section 8 Housing Assistance. 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. Almost 3 million families are assisted under Section 8. The largest portion of the Administration's request for new funding was for subsidized rental contracts, including $15.1 billion in new budget authority for funds to renew expiring Section 8 rental contracts in FY2002.

The House agreed to a total of $16.3 billion for the Housing Certificate Fund, including $15.7 billion in direct appropriations (plus $640 million carryover from reserve funds of previous years – see below) for the Housing Certificate Fund. The House agreed to $197 million for 34,000 incremental vouchers, with $40 million set-aside for 7,914 new vouchers for disabled residents affected by public housing units designated as "elderly only." The House bill also required that $886 million be rescinded from unobligated balances remaining from funds appropriated for FY2001 and prior years.

The Senate version of the bill recommended $15.7 billion in direct appropriations for the Housing Certificate Fund, the same as the House. An additional 17,000 vouchers were to be funded at $99 million, compared to the 34,000 requested by the Administration and agreed to by the House. The Senate explained that this reduction (below the Administration's request) reflected the concerns of the Committee that vouchers are not always the best mechanism to help low-income families obtain affordable housing. The Senate version of the bill called for a rescission of $615 million of unobligated Section 8 balances.

P.L. 107-73 appropriates $15.6 billion for the HCF. Conferees specified that an additional $640 million will be available to the HCF from a carryover that was the result of reducing reserve funds made available to PHAs, bringing the total funding available for the Fund in FY2002 to $16.28 billion. Most of the funds, $15.725 billion, will be used for the renewal of Section 8 contracts. Funding is also provided for 26,900 incremental vouchers ($144 million). Of this amount, $104 million is to fund 18,000 vouchers, to be distributed on a fair share basis to PHAs having a voucher utilization rate of at least 97%, with the remaining $40 million to be used for 7,900 vouchers for disabled residents who are affected by the designation of public and other assisted housing as "elderly-only" developments. The conference agreement also provided funding for contract administration ($196 million) and tenant protection ($203 million) under this program. In addition, conferees rescinded $1.2 billion from unobligated balances available from the recapture of excessive Section 8 funds.

The following table shows the Administration's request for FY2002 funding for the Housing Certificate Fund compared with House and Senate recommendations, and the final amounts appropriated by the conferees.

Table 7. Spending Authority: Housing Certificate Fund (HCF), FY2002

($ in billions)

HCF Programs	President's request (HUD estimates)	House (H.R. 2620)	Senate (S. 1216)	Conf. (H.R. 2620)
Housing Certificate Fund	**15.717**	**16.334**	**15.659**	**16.281**
FY2002 Appropriations (Table 6)	*15.717*	*15.694*	*15.659*	*15.641*
Carry-over of reserve funds from previous fiscal years	--	*.640*	--	*.640*
Housing Certificate Fund:				
Expiring Sec. 8 Contracts	*15.108*	*15.725*	*15.507*	*15.725*
FSS coordinators	*(.046)*	*(.046)*	--	--
Incremental Vouchers	*.197*	*.197*	*.099*	*.144*
Fair-share	--	*(.157)*	*(.099)*	*(.104)*
Non-elderly disabled	–	*(.040)*	--	*(.040)*
Non-elderly disabled vouchers	--	--	*.040*	--
Tenant Protection	*.203*	*.203*	--	*.203*
Contract Administration	*.196*	*.196*	--	*.196*
Working capital fund	*.013*	*.013*	*.013*	*.013*

Source: HUD: Congressional Justifications for FY2002; H.Rept. 107-159; S.Rept. 107-43; H.Rept. 107-272.

Note: Italics indicate lines subsumed under major heading for HCF in Table 6 and Table 7.

Public Housing Programs. There are more than 3,000 public housing authorities (PHAs), encompassing more than 1.2 million housing units. The Quality Housing and Work Responsibility Act of 1998 consolidated all public housing capital programs (except HOPE VI) into one Public Housing Capital Fund. The Act also directed HUD to develop a new formula to allocate resources of the Public Housing Operating Fund. The proposed budget for FY2002 says that HUD is committed to sustaining and improving the Nation's public housing.

Public Housing Operating Fund. HUD requested $3.39 billion for the Operating Fund for FY2002, an increase of $143 million over the FY2001 level of $3.24 billion, an increase that partly offsets higher utility costs. The House agreed to $3.49 billion for the operating fund in FY2002. H.Rept. 107-159 explained that the increase is in lieu of funding for Drug Elimination grants, noting that operating funds can, and are being used for anti-drug and anti-crime efforts by PHAs. The report points out that only 1,000 of the 3,400 PHAs receive funding under the Drug Elimination formula grants program, with four PHAs receiving 25% of the total funding available. The House recommended that $20 million of the $3.5 billion be made available for programs, determined by the Attorney General, which assist in the prosecution and prevention of violent crimes and drug offenses in public and federally-assisted low-income housing. The $20 million would be administered by the Department of Justice.

The Senate recommended $3.39 billion in FY2002 to run public housing, following the Administration's request. (It also provided $300 million for Drug Elimination Grants, continuing the program.)

P.L. 107-73 provides $3.49 billion to the Public Housing Operating Fund for FY2002, the same as the House recommended – an increase of $253 million above the FY2001 appropriation. The funds will remain available until September 30, 2003. The conference agreement explains that the increase over last year's funding reflects the merger of funds previously provided in the Drug Elimination Grants program (that will be ended). The conferees note that PHAs have the authority to use their operating and capital funds for anti-crime and anti-drug activities, and that only one-third of PHAs received supplemental funding under the Drug Elimination Grants program. To the extent that additional assistance might be required by some PHAs to combat crime and drugs, there will be $10 million for programs determined and administered by the Attorney General to assist in the investigation, prosecution, and prevention of violent crimes and drug offenses in public and federally-assisted low-income housing, including Indian housing. The conference agreement assumes the termination of the Operation Safe House program and rescinds $11 million of unobligated balances from this program.

Public Housing Capital Fund. This fund provides formula grants to PHAs to meet modernization requirements, including the backlog of rehabilitation and modernization needs. The rehabilitation of existing public housing developments is important to help ensure that they do not become so obsolete that they must be demolished. The Administration's proposed FY2002 budget would have provided $2.293 billion for the Public Housing Capital Fund, a reduction of $707 million compared to FY2001. Because HUD estimates that additional capital needs are accruing at an annual rate of $2.1 billion, and that PHAs have more than $6 billion of unspent capital funds from prior years, HUD believes that this amount would be sufficient to meet all new modernization requirements.

Reducing new appropriations for capital funds reduces previously appropriated funds that have not been expended by PHAs. While HUD recognizes that these funds are primarily for capital improvement projects, it nevertheless expects PHAs to obligate these funds within 24 months and expend them in 48 months. HUD has concluded that, while not all PHAs are falling behind in scheduled modernization, the buildup of unobligated and unexpended funds by some PHAs suggests that modernization funds may not be reaching the PHAs with the greatest need or capacity.

HUD reports that as of June 1, 2001, nearly $4.7 billion of funds provided in FY1998, 1999 and 2000 had not been spent, and $2.7 billion of this amount had not been obligated (put under contract). HUD plans to review, and where necessary, modify the capital fund program to ensure a timely and effective reduction of the nearly $20 billion backlog of modernization and rehabilitation needs. The HUD Secretary has reassured PHAs that are utilizing their allocations that they will not be penalized by efforts to reduce unspent funds in the pipeline, and that instead, funds will be reallocated to PHAs with demonstrable success in meeting their program objectives.

The House agreed to $2.56 billion for the capital fund. The Committee noted in its report that as of June 1, 2001, $733 million in FY1998 and FY1999 funds remained unobligated by PHAs, with 25 PHAs accounting for 73% of these unspent funds. Thus, the House bill specified that $262 million would be allocated among public housing agencies that have obligated all of their assistance within the 24-month statutory requirement. The HUD Secretary would be required to recapture FY1999 and prior year funds that have not been obligated within the required period under the law and redistribute those funds to PHAs that are in compliance.

The Senate approved $2.94 billion for the capital fund, $650 million above the President's request.

P.L. 107-73 provides $2.84 billion, to remain available until September 30, 2005. Of this amount, $550 million was to be reserved for those public housing agencies that had obligated all assistance from the agency for FY1998 and FY1999. Language requires HUD to approve at the level of Deputy Secretary, any extension of the time periods required under the law to obligate amounts made available for FY1998, 1999, 2000, 2001, or 2002. Under certain circumstances, amounts in the capital fund made available for FY1999, 2000, 2001, and 2002, are to be recaptured and reallocated among PHAs that are not in violation of the time limits. Up to $75 million is to be made available for grants to PHAs for capital needs resulting from emergencies and natural disasters in FY2002. In addition, $15 million is to be made available to PHAs for a Neighborhood Networks initiative that will make competitive awards to PHAs for the establishment and initial operation of computer centers in and around public housing to close the "digital divide" and enhance resident employability and economic self-reliance.

HOPE VI Revitalization of Distressed Public Housing. 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 to be occupied by mixed-income families. Unless it is reauthorized, the HOPE VI program is scheduled to end on September 30, 2002, but HUD plans to ask for an extension of the program.

The Administration requested $578 million for HOPE VI grants in FY2002, nearly level with the $575 million enacted for FY2001. Both the House and Senate agreed to provide funding for the HOPE VI program for FY2002 at nearly the level requested by the Administration. The Senate committee report expresses concern that HUD may not meet its goal of demolishing 100,000 public housing units by the end of FY2002 when the program's authorizing statute expires. It directed HUD to advise it on what form this program should take after authorization ends.

Conferees approved $578 million for HOPE VI grants for FY2002, of which $5 million is designated for the Neighborhood Networks Initiative. This amount, along with $15 million under the public housing capital fund and an additional $5 million in current on-going projects, will provide a total of $25 million for the Neighborhood Networks program in FY2002.

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

Drug Elimination Grants. The Drug Elimination Grants program received an appropriation of $310 million for FY2001. These grants support efforts to reduce drug activity and other crimes in and around public housing developments. Funds are distributed by a formula allocation to housing entities with the worst crime and which have demonstrated strategies for reducing violent crimes. Grants can be used for crime prevention, security guards, law enforcement, drug treatment, youth prevention programs, physical security improvements, and other related activities.

In recent years there has been some controversy over how grant money has been spent, such as using money for gun buy-back programs to lessen the number of guns in a community. Last year's Senate Report, S.Rept. 106-410, expressed concern about HUD "interfering" with local decision making on the use of drug elimination grants, and directed HUD to identify in the FY2002 budget justification the goals of the program and the actual performance of the grantees in meeting the goals.

In one of the more controversial parts of HUD's proposed FY2002 budget, the Administration would eliminate the program, contending that there have been abuses and that the program is outside of HUD's core mission. In testimony before the House Committee on Appropriations Subcommittee on VA, HUD, and Independent Agencies (May 23, 2001), Secretary Martinez reported $660 million of unspent funds in the drug elimination program.

The HUD budget for FY2002 proposed to consolidate and streamline the Department's anti-drug use activities. While ending the Drug Elimination Grants, they proposed to increase the Public Housing Operating Fund by $150 million for anti-drug activities and other purposes as decided by local priorities. Housing authorities would be encouraged to continue major partnerships with local police departments. In addition, the Department would continue to work closely with other federal agencies such as Justice, Health and Human Services and the Office of National Drug Control Policy to administer proven prevention and intervention programs, and with faith-based organizations that also provide treatment and counseling.

The House followed the Administration's request and would provide no funding for the Drug Elimination Program for FY2002. The Senate approved $300 million for Drug Elimination Grants in FY2002. Conferees provided no funding for this program but, as explained under the Public Housing section above, additional funding for anti-drug and anti-crime efforts were made through an increase in the Public Housing Operating Fund in lieu of funding Drug Elimination Grants as a separate program. PHAs will be allowed to spend their existing Drug Elimination Grants. The conferees noted that over the last six years, more than $9 billion in new federal assistance had been provided through the Department of Justice for over 110,000 new police offices in local communities and to establish 1,000 new Boys and Girls clubs exclusively in public housing.

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 FY2002 budget requested $649 million, slightly below the $650 million enacted in FY2001. The House, Senate, and the conference agreed to $649 million for FY2002, the same as the President's request.

Community Planning and Development. HUD has several programs and initiatives to assist communities with difficult housing issues, and with planning and development of housing programs.

Housing for Persons with Aids (HOPWA). The President requested $277 million for HOPWA for FY2002, up $19 million from the $258 million enacted in FY2001 (including the 0.22% reduction which was mandated last year). And Congress, agreeing with the Administration, funded HOPWA with $277 million for FY2002. HUD is required to renew all expiring HOPWA contracts for permanent supportive housing funded under the non-formula component of the program so long as the projects meet all other program requirements. Two million dollars of the total appropriated funds may be used for training, oversight and technical assistance activities. HOPWA provides grants to states, localities and nonprofit organizations to meet the housing need of individuals with HIV/AIDS and their families.

HUD reported in December 2000, 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, according to the Centers for Disease Control and Prevention (CDC). The CDC reported that through June 2000, the number of HIV infections reported in states with confidential HIV reporting (34 states and two territories) was 120,223 for a cumulative total of 431,924 persons identified as being HIV positive or of having AIDS. The total of HIV positive persons is believed to be considerably higher.

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. For FY2001, $25 million was appropriated. The proposed FY2002 HUD budget did not include a request for funds for this program because the Administration claimed that it duplicates several programs, including CDBG and those of the U.S. Department of Agriculture. The House version of the bill did not fund this program, agreeing with the Administration that the program is redundant. The Senate approved $25 million for this program. Conferees approved $25 million with language requiring that the funds be awarded competitively by June 1, 2002.

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 different tax credits and other incentives designed to stimulate investment and economic growth. EZs and ECs also receive federal funding for revitalization activities. Grants are used for a wide variety of 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, policing and healthcare.

To date, there have been two 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 five rural – were designated in the Round II competition, along with 20 new Enterprise Communities, all rural. HUD is responsible for providing each of the 15 Round II urban Empowerment Zones with $10 million in annual funding. As funding to date has lagged behind this committed level, HUD is seeking full funding of $150 million for FY2002, $50 million less than the $200 million appropriated in FY2001.

The conference agreement approved $45 million for urban Empowerment Zones for FY2002, including $3 million each for the 15 Round II zones designated by HUD. The House would have provided no funding for Empowerment Zones and enterprise communities in FY2002. H.Rept. 107-159 stated that financial constraints prevented the appropriation of funds for Round II Empowerment Zones at this time. The Senate agreed to $75.0 million, half of the President's request of $150 million.

Community Development Fund (Community Development Block Grants). P.L. 106-377 established the Community Development Fund (CDF) to support federal financial administrative responsibilities which had been previously managed as an administrative function of the Community Development Block Grants (CDBG) program. The Bush Administration's FY2002 budget proposed $4.8 billion for the CDF to provide $4.399 billion in formula-based funds to CDBG entitlement communities and states. The Administration's budget request would have frozen the formula-based portion of the program at the FY2001 funding level, but would reduce the amount of funding for set asides by 43%, from $713 million to $403 million.

Much of the proposed $310 million reduction would have been achieved by eliminating funding for the Economic Development Initiative.

The House recommended an appropriation of $4.812 billion for the Community Development Fund. This was $10 million more than requested by the Administration, but $312 million less than appropriated for FY2001. The House bill included $413 million in set-asides. The Senate version of the bill would have appropriated $5.013 billion for the CDBG program and related set-asides. The bill would have appropriated $4.524 billion for the formula-based component of the CDBG program. This was $113 million more than the $4.411 billion provided for FY2001. The bill also included $489 million in CDBG-related set-asides. This exceeded the amount requested by the Administration ($403 million) and approved by the House ($413 million).

The conference provided $4.341 billion for the formula-based CDBG program and $659 million in CDBG-related set-asides. The set-asides include $294 million in funding for Economic Development Initiative grants identified in the conference agreement. The $659 million in set-asides exceeds the $403 million requested by the Administration, but is $54 million less than appropriated in FY2001. This is $63 million less than the $357 million in FY2001 EDI earmarked funds. Congress also included funds for a number of other CDBG-related programs, including $65 million for Youthbuild; $55 for Resident Opportunity and Supportive Services Grants; $42 million for the Neighborhood Initiative Program; $29 million for Capacity Building for Community Development and Affordable Housing Grants.

The CDBG (and now the CDF) 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, 991 communities (838 cities and 153 urban counties) meet the definition of entitlement community. The remaining 30% of appropriated funds were allocated by formula to states for distribution to nonentitlement communities.

The Administration proposed two new initiatives under the CDF program, $80 million for the Community Technology Centers Initiative (CTC), and $20 million for the Administration's Improving Access Initiative. HUD's proposed CTC Initiative would complement an existing program administered by the Department of Education and HUD's Neighborhood Network Initiative. The CTC Initiative is intended to expand access to computers and to promote the use of technology in education through the development of model programs in HUD insured and assisted housing. Funds are targeted to economically distressed communities in urban and rural areas and may be used to fund personnel salaries and equipment. Although the Senate bill included the $80 million requested by the Administration for its CTC initiative, the conference approved the House recommendation that no funds be provided.

The Administration's budget also includes $20 million for its Improving Access Initiative, a grant program that would provide financial assistance to civic and religiously-affiliated institutions with limited resources that are exempt from the

Americans with Disabilities Act. The grants would help fund projects intended to make the facilities of eligible organizations disabled-accessible. Congress did not look favorably upon this initiative, and no funds were provided.

In the Administration's budget, these and other CDF-based initiatives were to be offset by eliminating funding for two CDF set asides, the Neighborhood Initiative, which received $44 million for FY2001, and the Economic Development Initiative, which received $357 million in FY2001. The Neighborhood Initiative supports projects intended to stimulate economic diversification and investment in areas experiencing population losses, improve conditions in blighted and distressed neighborhoods, and facilitate the integration of housing assistance with welfare reform initiatives. For FY2001, Congress appropriated $44 million, with all of the funds directed to specific projects.

In past years, the Economic Development Initiative (EDI) has routinely been used to fund specific projects of interest to individual Members. Entitlement communities, states, and previous administrations have objected to this type of congressionally-directed funding on the grounds that it is noncompetitive, and reduces the amount of funds available under the core CDBG program for distribution to entitlement communities and states.

For FY2001, $357 million in EDI assistance was directed to more than 300 specific projects identified in the conference report accompanying the FY2001 appropriations act for VA-HUD, and Independent Agencies. This represented approximately 50% of the $713 million in total CDBG set-asides for FY2001. For FY2002, conferees approved approximately 45% ($294 million) of the $659 million in CDF set-asides for specific EDI projects. The conference agreement allocates the earmarked EDI funds to over 800 projects, with the average grant amount equal to $360,000. Many of the EDI funds would be allocated to communities receiving entitlement funds. This year's EDI allocation has the net effect of reducing the amount allocated to entitlement communities by $50 million when compared to entitlement allocations for FY2001 (See **Table 8**).

Brownfields Redevelopment. The Administration requested $25 million in funding for brownfields redevelopment projects for FY2002. This is the same amount appropriated in FY2001. Brownfields redevelopment funds are used to reclaim abandoned and contaminated commercial and industrial sites. Funds are used to finance job creation activities that benefit low and moderate income persons. Administration estimates place the number of eligible brownfield sites at 450,000 nationwide. Funds are used in conjunction with Section 108 loan guarantees and with EPA brownfield cleanup efforts. The Bush Administration estimates that FY2002 funds could support the cleanup of 25 brownfield sites and create approximately 5,400 jobs. The House and Senate bills and the conferees agreed to appropriate $25 million for brownfields redevelopment grants. The funds are to remain available until September 30, 2003.

Table 8. Community Development Block Grants, FY2001-FY2002

(funding in millions)

Programs and set-asides	FY2001 enacted	FY2002 request	FY2002 House (H.R. 2620)	FY2002 Senate (S. 1216)	FY2002 Conf. (H.R. 2620)
Subtotals:					
set-asides (see below for details)	*713*	*403*	*413*	*489*	*659*
formula-bsd. (entit. communities)	*3,087*	*3,079*	*3,079*	*3,167*	*3,039*
formula-based state allocation	*1,324*	*1,320*	*1,320*	*1,357*	*1,302*
Set-asides:--					
Indian Tribes	*70.8*	*69.0*	*69.0*	*71.0*	*70.0*
Housing Assistance Council	*3.0*	*3.0*	*3.3*	*3.0*	*3.3*
Nat'l Amer.Indian Hsng. Council	*2.6*	*2.2*	*2.8*	*2.6*	*2.6*
Section 107	*45.4*	*38.4*	*34.4*	*45.5*	*42.5*
Insular areas	*(7.0)*	*(7.0)*	*(7.0)*	*(8.0)*	*(7.0)*
Historically Black Colleges and Universities	*(10.0)*	*(10.0)*	*(10.0)*	*(11.0)*	*(10.5)*
Hispanic Serving Institutions	*(6.5)*	*(6.5)*	*(6.5)*	*(7.5)*	*(7.5)*
Community Dev. Work Study	*(3.0)*	*(3.0)*	*(3.0)*	*(3.0)*	*(3.0)*
Alaskan Native and Native Hawaiian Serving Institutions	*(3.0)*	*3.0*[a]	*0.0*	*4.0*	*(4.0)*
Tribal Colleges; Universities	*(3.0)*	*3.0*[a]	*0.0*	*3.0*	*(3.0)*
Comm. Outreach Partnership	*(7.9)*	*(7.9)*	*(7.9)*	*0.0*	*(7.5)*
Management Info. Systems	*(5.0)*	*(4.0)*	*0.0*	*0.0*	*0.0*
Hawaiian Homelands Homeowner.	*0.0*	*0.0*	*0.0*	*10.0*	*9.6*
Community Technology Center	*0.0*	*80.0*	*0.0*	*80.0*	*0.0*
Improving Access Initiative	*0.0*	*20.0*	*0.0*	*0.0*	*0.0*
Self-Help Housing Opportunity	*20.0*	*22.0*	*22.0*	*0.0*	*22.0*
National Housing Dev. Corp.	*10.0*	*0.0*	*5.0*	*0.0*	*5.0*
Nat. Council of La Raza Hope	*0.0*	*0.0*	*5.0*	*0.0*	*5.0*
Capacity Building for Community Develop. & Affordable Housing	*28.4*[b]	*29.4*[b]	*0.0*	*0.0*	*29.0*[b]
National Com. Dev. Initiative	*(25.0)*[c]	*(25.0)*[c]	*29.4*[d]	*25.0*	*(25.0)*[c]
Habitat for Humanity	*(3.4)*	*(4.4)*	*(4.4)*	*0.0*	*(4.0)*
Resident Opportunities and Self Sufficiency (Supportive Services)	*54.9*	*54.9*	*54.9*	*55.0*	*55.0*
Neighborhood Initiative	*43.9*	*0.0*	*25.0*	*0.0*	*42.0*
Salt Lake City Olymp. Temp. Hsng.	*2.0*	*0.0*	*0.0*	*0.0*	*0.0*
Working Capital Fund for the develop. of info. tech. systems	*14.9*	*18.0*	*15.0*	*0.0*	*13.8*
Youthbuild	*59.9*	*59.9*	*69.9*	*59.9*[e]	*65.0*[e]
Economic Develop. Initiative:	*357.3*	*0.0*	*77.0*	*140.0*	*294.2*
Total: CDF, CDBG	**$5,124**	**$4,802**	**$4,812**	**$5,013**	**5,000.0**

Source: H.Rept. 107-159; S.Rept. 107-43; H.Rept. 107-148; H.Rept. 107-272

Note: Totals may not add due to rounding. Italics indicate entries subsumed under CDBG line in **Table 6**; parentheses indicate entry subsumed in this table under line immediately above.

[a] Requested as a stand-alone program instead of a Section 107 (Special Purpose Grants).
[b] FY2001 appropriations included $5 million for rural and tribal areas. The FY2002 budget requested $4.9 million for these areas; the conference approved $5 million.
[c] Includes funding for the Enterprise Foundation and the Local Initiative Support Corporation (LISC) in support of local community development corporations.
[d] Includes $24.9 for the Enterprise Foundation and LISC, including $4.9 million for rural areas.
[e] Includes $2 million for Youthbuild capacity building and $10 million for underserved and rural areas.

The HOME Investment Partnership Program. The HOME program makes funds available to participating jurisdictions to increase the supply of housing and homeownership for low-income families. The program mandates that all households assisted have incomes below 80% of the area median and 90% of those assisted with rental housing have incomes below 60% of median. The Administration requested $1.796 billion for the program for FY2002, $4 million less than the $1.8 billion enacted in FY2001. Of the total proposed for FY2002, $1.54 billion was for HOME formula grants, consisting of $923 million for local participating jurisdictions and $615 million for states. Funds may be used to help new homebuyers (including downpayment assistance), and renters or existing homeowners through rehabilitation of substandard housing, new construction or tenant-based rental assistance. Some HOME funds are used with the HOPE VI program and with the Low Income Housing Tax Credit. There is also a $20 million set-aside for Housing Counseling for renters and those interested in home purchase and other housing matters.

The Administration's FY2002 proposal for HOME included a $200 million set-aside for a "Downpayment Assistance for Homebuyers" program to assist first-time low-income homebuyers. Funds would be provided on a competitive basis and would be administered by state housing finance agencies, and be expected to assist over 130,000 first-time buyers each year. Funds would be matched on a three to one basis up to $1,500 per family. 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 (May 22, 2001), in opposition to the $200 million set-aside, arguing that HOME funds may already be used for downpayment and/or closing cost assistance. They claimed that an unnecessary mandate could result in a $200 million cut in formula grants. They also opposed 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 House agreed to $1.996 billion for FY2002, $196 million more than the Administration's request. This included a $200 million set-aside for the Downpayment Assistance Initiative, subject to enactment of authorization legislation by June 30, 2002. The Senate recommended $1.796 million, the same amount asked for by the President. However, the Senate-passed bill did not include $200 million for the Administration's downpayment assistance fund. S.Rept. 107-43 notes that "downpayment assistance is already permissible under the HOME program and therefore does not require new or additional authorization."

Conferees provided $1.846 billion for the HOME program, $46 million more than appropriated in FY2001. The funds are to be available for obligation for 3 years. A new Downpayment Assistance Initiative will receive $50 million, subject to authorization legislation by June 30, 2002. Otherwise, the $50 million will be available for any authorized purpose. Up to $20 million is to be made available for housing counseling, which the conferees claim is a critical component of effective homeownership programs. Conferees claim that this not only helps families and individuals understand homeownerhsip issues, but helps protect first-time buyers against predatory lending practices. Counseling is to be provided to all homebuyers participating in the new Downpayment Assistance Initiative.

Homeless Assistance Grants. President Bush's FY2002 budget requested $1.123 billion for homeless assistance, including $1.023 billion for Homeless Assistance Grants, $100 million for Shelter Plus Care Renewals (funds utilized for the renewal on an annual basis of contracts expiring or projected to run out of funds during FY2003) and $500,000 for the Interagency Council on the Homeless. Grant funds will provide support for an estimated 40,000 transitional beds and permanent beds in new and renewal projects. The requested overall grant funding of $1.023 billion includes up to $15 million for technical assistance, Working Capital Fund and Management Information Systems and is the same level as the FY2001 budget. This year's Shelter Plus Care Renewals request is the same as that funded in FY2001.

For FY2002, Congress appropriated a total of $1.123 billion for Homeless Assistance. From this total, $1.057 billion will be used to fund the four programs grouped under the Homeless Assistance Grants, i.e., Supportive Housing Program, Emergency Shelter Grants Program, Shelter Plus Care Program and Section 8 Moderate Rehabilitation Single Room Occupancy Program. The remaining $65 million will be used to fund the Technical Assistance ($6.6 million), Working Capital Fund ($5.6 million), the Interagency Council on the Homeless ($500 thousand) and the National Homeless Data Analysis Project ($2 million) - the conferees believe that it is critical to develop an unduplicated count of the homeless population. Not less than 30% of funds made available, excluding amounts provided for renewals under the Shelter Plus Care program, must be used for permanent housing. All funds awarded for services must be matched by 25% in funding by each grantee - both the House and the Senate support HUD's efforts to transfer the responsibility for services to HHS, leaving the housing component to HUD. Full funding for the Shelter Plus Care renewals is included under the homeless assistance grants account instead of providing funds under a separate account.

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

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

Housing programs. HUD operates several programs to improve the nation's housing capacity.

Housing for the Elderly and Disabled. This program provides capital grants to eligible entities for the acquisition, rehabilitation, or construction of housing. The President proposed $783 million for housing assistance for the elderly in FY2002, a $4 million increase over FY2001. Of the $783 million requested, $683 million would be used for the Section 202 Supportive Housing program.

The House, Senate, and the conference agreed to $783 million for the elderly for FY2002, the same as the Administration's request. Of the $783 million, $50 million is for the conversion of eligible Section 202 projects to assisted living and $50 million is for service coordinators and the continuation of existing congregate service grants for residents of assisted housing projects to help the elderly maintain their independence. HUD is to issue a notice of funding availability (NOFA) for up to three grants for the conversion of unused or underutilized commercial properties into assisted living facilities for the elderly from funds provided for Section 202 conversions.

The Administration also requested $218 million for housing for the disabled (Section 811) for FY2002, about the same as provided for FY2001. To assure flexibility and choice in housing for the disabled, no less than 25% (but no more than 50%) of the funding could be used to provide the disabled with tenant-based vouchers, in order to provide them with greater flexibility and more housing choice. The Administration also requested $40 million for Section 8 vouchers (funded under the HCF) to provide housing for disabled tenants who must move from developments that are now being converted to "elderly only" projects.

The House agreed to $241 million for housing for the disabled, an increase of $24 million over the FY2001 appropriation. The increase would fund the renewal costs of Section 811 tenant-based rental assistance. The Senate agreed to fund this program at $218 million, the same as requested by the President. The conferees approved $241 million as proposed by the House. Of this amount, $23 million is for the renewal of Section 811 tenant-based rental assistance. Up to $1.3 million is also provided to renew project rental assistance for up to a one-year term. The conferees also require HUD to simplify the Section 811 application and review process.

For more information on housing for the elderly, see CRS Report RL30247, *Housing for the Elderly: Legislation in the 106^{th} Congress*, by Susan M. Vanhorenbeck.

The Federal Housing Administration (FHA). As requested by the Administration for FY2002, the conference agreement authorizes 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 authorized for FY2001. A $21 billion insurance commitment limitation is appropriated for the General Insurance and Special Risk Insurance (GI/SRI) fund.

In a technical budgetary change based on the Federal Credit Reform Act of 1990, 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. This has no effect on actual program levels. According to CBO the reclassification has no effect on the amount of budgetary resources available to HUD, and the MMI program will continue operating as it did prior to the reclassification. Mandatory spending must comply with the pay-as-you-go rules of the Budget Enforcement Act (BEA) while discretionary spending must comply with the BEA's discretionary spending caps. Spending for the MMI program will be determined by the annual appropriations acts.

As requested, the conference agreement provides a direct loan limitation of $250 million for the MMI/CHHI fund and a direct loan limitation of $50 million for the GI/SRI fund. These are the same limits as in FY2001. 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 insurance funds through defaults and foreclosures by borrowers.

The Administration requested $857 million for administrative expenses of the FHA program accounts – $497 million of the MMI/CHMI accounts and $360 million in the GI/SRI accounts. The House bill requested $331 million for the MMI/CHMI accounts and $212 million for the GI/SRI accounts. The Senate bill requested $330 million for the MMI/CHMI accounts and $211 million for the GI/SRI accounts. The conference agreement appropriates for administration expenses $337 million for the MMI/CHMI accounts and $216 million for the GI/SRI accounts.

The agreement appropriates $15 million for credit subsidies to support loan guarantees under the GI/SRI programs. This is significantly less than the $101 million appropriated for this purpose in FY2001. 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. The reduced need for credit subsidy is based on recent changes in regulation regarding mortgage insurance premiums paid by borrowers in the HUD multifamily programs.

Though HUD has always had statutory authority to set the insurance premiums between 0.25% and 1% of the outstanding loan balance, the regulations have always set the premium at a specific figure. An Interim Rule was published in the *Federal Register* on July 2, 2001 to amend the regulation to state that borrowers will pay an insurance premium of not less than 0.25% and not more than 1% of the loan amount, and that the specific premium to be charged will be set forth in a *Federal Register* notice. A Notice was published in the *Federal Register* on July 2, 2001 which set the insurance premium for most of the FHA multifamily housing programs at 0.8% of the outstanding loan balance. The premiums had been set at 0.5% of the loan balance. The Interim Rule and the Notice had an effective date of August 1, 2001. The assumption is that this change, coupled with changes in the subsidy rates for other programs in the GI/SRI fund and changes that the Administration intends to make in the underwriting criteria for several of the programs, will enable the fund to provide up to $21 billion in loan commitments with a lower amount of credit subsidies than have been needed in past years.

As in prior years, however, if these assumptions prove wrong, the funding of loans under the program may be temporarily suspended until supplemental appropriations of credit subsidy are provided. The Senate report language noted concern that HUD has failed to adequately calculate the amount of credit subsidy needed to support its multifamily housing programs and noted its expectation that HUD will devise a computer program to accurately identify the default and financial risks to the insurance funds. HUD would have been directed to establish a task force to study the issue and report its finding by July 15, 2002. In lieu of the Senate report language, conferees note that they expect HUD to work with the housing industry to review the technical assumptions that OMB provides to HUD regarding the risk model used to estimate the subsidy costs for the multifamily housing programs.

The conferees also expect HUD to update its information technology systems for the program accounts of FHA. To understand its financial exposure and the extent of risk for loss, at the end of each business day HUD is expected to examine the extent of financial risk and exposure under each FHA mortgage insurance program.

As requested by the Administration, the conference agreement permits the FHA to offer hybrid adjustable rate mortgages (ARMs) to low-income families. Under these mortgages, the interest rate would be fixed for the first few years of the loan, then the interest may adjust annually according to changes in market interest rates. The interest rate would be fixed for at least the first 3 years of the loan. HUD estimates that the introduction of hybrid adjustable rate mortgages would allow FHA to provide mortgages to an additional 40,000 families in FY2002. HUD estimates that it also would yield additional income of $99 million for the FHA and $13 million for the Government National Mortgage Association (Ginnie Mae). Data indicate a higher default rate for FHA adjustable rate mortgages than the rate under its fixed rate mortgages, so any increase in income during the early years of the loans may be partly offset in later years by higher losses. Current law limits ARMs in a given fiscal year to no more than 30% of the number of mortgages insured by FHA in the previous fiscal year. The Administration did not propose a change in law regarding the limits on ARM loans.

The loan limits for the FHA multifamily housing programs had not been adjusted since 1992 and it is often argued that it is no longer possible to use the FHA multifamily programs in certain parts of the country. Administrative provisions in the conference agreement raise the loan limits of the multifamily housing programs by 25%. Under current law, cost adjustments of up to 240% may be allowed for certain high cost areas. It is assumed that the 25% increase in the loan limits, when combined with the existing ability to multiply loan limits by up to 240%, would enable the FHA multifamily insurance program to be usable in virtually all parts of the country.

More than 800,000 assisted rental units in approximately 8,500 Section 8 project-based rental complexes have mortgages that are insured by FHA. The Office of Multifamily Housing Assistance Restructuring (OMHAR) was established in 1997 to reduce the cost to the federal government of renewing the rental contracts on these projects. The federal government is expected to save $563 million over 20 years from the transactions that have been completed to date. Its authority to operate was to expire on September 30, 2001, but it has been extended temporarily by several continuing resolutions.

To facilitate timely passage, reauthorization of OMHAR until October 1, 2004, and various programmatic changes to the program, have been placed in Title VI of the Labor, Health, and Human Services, and Education appropriations bills (H.R. 3061 and S. 1536) for FY2002, but these bills remain in conference. Under Title VI, the head of OMHAR would report to the FHA commissioner rather than to the HUD secretary, as currently required, giving the commissioner oversight authority over OMHAR. OMHAR funding would be made a part of the FHA budget. In H.Rept. 107-272, conferees note their concern over the manner that OMHAR has been managed. They believe that OMHAR has violated the Anti-Deficiency Act in 2 out of the 3 years of its existence by violating government spending law regarding grants to HUD tenant groups. HUD is directed to revoke OMHAR's funds allotment privileges and provide vigorous financial and management oversight of OMHAR.

For more information on credit subsidies, see CRS Report RS20670, *Temporary Suspension of New Mortgages under the FHA General and Special Risk Insurance Funds.* For more information on OMHAR, see CRS Report RL31182, *Assisted Housing: Section 8 Mark-to-Market Restructuring.*

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 promised vigorous enforcement of fair housing laws and increased educational activities to combat discrimination in housing. For FY2002, HUD requested $46 million, about level with the FY2001 appropriations.

Two programs comprise HUD's fair housing efforts: the Fair Housing Initiatives Program (FHIP), and the Fair Housing Assistance Program (FHAP). 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 FY2002, HUD requested $23 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.

Under the request, FHIP would have been funded at $23 million in FY2002. The Administration explained that $7.5 million of last year's FHIP budget was dedicated to the National Survey of Housing Discrimination, a major study being conducted by the Urban Institute. Because survey funding is not required for FY2002, the Administration planned to redirect those funds to the FHIP. HUD said this would allow them to significantly expand the geographic distribution of FHIP awards to communities that are currently underserved or not served at all by fair housing organizations. In FY2001, HUD was only able to fund 42% of eligible applicants. With the increased availability of funds for FHIP, HUD claimed it would be able to fund an estimated 72% of eligible applicants.

During FY2002, HUD also plans to continue its efforts to combat predatory lending. The Department will work closely with interested parties, including consumer groups, federal, state and local regulators, and the industry to put an end to predatory lending, increase financial literacy and expand access to homeownership and private mortgage credit.

Both the House and the Senate agreed with the Administration's request for $45.9 million for FY2002. Conferees approved $46 million to be available until September 30, 2003. Of this amount, $20 million is for FHIP. The $7.5 million in FY2001 that went to the National Survey of Housing Discrimination, that is no longer required, will now go equally to FHAP and FHIP. The extra amount to FHAP is to be used to reduce the backlog of cases pending.

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

Over the past decade, HUD has worked with local governments and agencies to increase the number of lead hazard control programs, and measurable lead levels in children has declined. However, millions of housing units remain contaminated with lead-based paint. To further reduce lead paint health hazards, the FY2002 HUD budget requested a $10 million increase over FY2001, bringing the total to $110 million. Funds would be distributed through competitive grants to entities that agree to match those federal grants. The requested amount, when combined with private sector funding, was expected to support a 10-year strategy to eliminate lead paint hazards in 2.3 million private housing units occupied by low-income children. Included in this request was a set-aside of $10 million to continue the Healthy Homes Initiative which helps to develop, demonstrate and promote cost-effective, preventive measures to correct multiple safety and health hazards in the home that can cause serious disease and injuries to children.

Both the House and the Senate agreed with the Administration's request for $110 million for FY2002, and conferees concurred. The funds are to remain available until September 30, 2003. Conferees allocated $80 million for grants to state and local governments, and Native American Tribes for lead-based paint abatement in private low-income housing, $10 million for the Healthy Homes Initiative, $3.5 million for a one-time grant to the National Center for Lead-Safe Housing, $6.5 million for a new initiative called Operation LEAP (competitive awards to non-profit organizations and the private sector), and $10 million for technical assistance and support to state and local agencies and private property owners.

Environmental Protection Agency

The President's FY2002 request for the Environmental Protection Agency (EPA) is $7.317 billion in spending authority or 7% less than the $7.829 billion appropriated for FY2001. The House has passed $7.545 billion; the Senate $7.752 billion; conferees adopted a total of $7.888 billion.

Accounting for the proposed decrease is the Administration's decision not to seek continued funding for about $500 million earmarked for numerous activities in the FY2001 conference report. This includes some $340 million for specific wastewater grants, numerous research grants, and other special grants. Both chambers have reinstated most of these grants. Other prime issues include the adequacy of funds to capitalize wastewater needs; shifting of enforcement responsibility to the states; EPA's climate change activities; and future funding of the Superfund program.

How to meet the Nation's water infrastructure capital needs remained the primary appropriations issue for EPA. The Administration's proposed FY2002 level of $3.289 billion for the State and Tribal Assistance Grants account (STAG) was $340 million, or 9%, less than the $3.629 billion allocated in FY2001. The major reason for the proposed decrease was the Administration's decision not to seek continued funding for over $300 million designated for specific wastewater grants in FY2001. The House passed $3.437 billion; the Senate $3.603 billion; conferees settled on $3.733 billion. Both chambers essentially proposed to reinstate funding for specific wastewater projects; conferees agreed, and added more funds than either House approved.

Table 9. Environmental Protection Agency Appropriations, FY1997-FY2001

(budget authority in billions)

FY1997	FY1998	FY1999	FY2000	FY2001
$6.8	$7.4	$7.6	$7.4	$7.8

Source: Figures for FY1997-FY2000 are from administration budget submissions of subsequent years; figures for FY2001 are from H.Rept. 107-159, and are the latest available estimates 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.

Within the STAG account, the budget proposed to spend $850 million for wastewater funding, $500 million less than the $1.35 billion for FY2001. However, it also sought an additional $450 million for new sewer overflow grants. Another major account activity, drinking water state revolving funds, was projected to receive $823 million, the same as funding for FY2001.

The request was unclear as to how new sewer overflow grants would be funded under the requested funds. The Wet Weather Water Quality Act, (P.L. 106-554, Division B, Section 1112) authorizes a $1.5 billion grants program to reduce wet weather flows from municipal sewer systems. It authorizes these grants if the Clean

Water wastewater state revolving fund was funded at a level of $1.35 billion, a level not requested by the budget. In response to questions before House Appropriations VA, HUD, Independent Agencies Subcommittee hearings (May 9-10, 2001), the EPA Administrator acknowledged that the agency was "not meeting the language," i.e. $1.35 billion threshold, and was "asking for flexibility."

Congress denied the President's request for the $450 million in "wet weather" funding, but increased funding for clean water state revolving funds. The conferees provided $1.35 billion for the Clean Water State Revolving Fund and $850 million for Safe Drinking Water State Revolving Fund.

For state and tribal administrative grants, the budget sought $1.1 billion, $50 million more than current funding; every major category of state administrative grants would remain the same as in the current year. Congress approved about this amount. Two new grant programs were proposed. One would provide $25 million in grants to assist states in managing environmental information. The other would fund $25 million in grants to assist states in enforcing environmental laws and regulations. The latter represents a shift in policy, moving more enforcement to the states, and is accompanied by a related $25 million decrease in EPA's own enforcement efforts. At House Subcommittee hearings, some Members criticized this shift in enforcement policy. Conferees disapproved of the shift in enforcement responsibilities, denied the new grant money, and reinstated the accompanying proposed decrease of $25 million for EPA headquarters enforcement activities.

EPA's climate change activities, funded through the Science and Technology, and the Environmental Compliance accounts, have been controversial in the past. These activities include research, science and a variety of technical assistance and information programs to help the private sector reduce greenhouse gases. Some Members assert that EPA does not have legal authority to act to reduce carbon emissions, a primary cause of such gases. In the past, some Members have maintained that EPA's involvement in some carbon reduction activities can be viewed as implementing the Kyoto Protocol to reduce greenhouse gases, which the Bush Administration opposes. An online report, CRS' *Climate Change Briefing Book* [http://www.congress.gov/brbk/html/ebgcc1.html], discusses many aspects of the climate change issue.

Table 10. Appropriations: Environmental Protection Agency, FY2001-FY2002

(budget authority in billions)

Program	FY2001 enacted	FY2002 request	FY2002 House (H.R. 2620)	FY2002 Senate (S. 1216)	FY2002 Conf. (H.R. 2620)
Science and Technology (incl. transfers from Superfund)	.734	.677	.717	.703	.735
Environmental programs, compliance (management)	2.088	1.973	2.005	2.062	2.055
Office of Inspector General	.046	.046	.046	.046	.046
Buildings and facilities	.024	.025	.025	.025	.025
Superfund (net, after transfers)	1.222	1.219	1.221	1.226	1.221
Leaking Underground Storage Tank Trust Fund	.072	.072	.079	.072	.073
Oil spill response	.015	.015	.015	.015	.015
State and tribal assistance	3.629	3.289	3.437	3.603	3.733
Subtotal (EPA)	**7.829**	**7.317**	**7.545**	**7.752**	**7.903**

Source: H.Rept. 107-159; S.Rept. 107-43; H.Rept. 107-148; H.Rept. 107-272

Note: Rounding may cause discrepancies in subtotals.

For FY2001, EPA requested a 121% increase for climate change activities, an increase denied by appropriators. The FY2002 budget did not seek the major increases previously sought; the $153 million requested was about the same level as approved for FY2001. Roughly 70% was intended for activities of the Environmental Programs and Management account, and 30% for those of the Science and Technology account. Environmental Programs and Management activities are linked to reducing greenhouse gas emissions, the most controversial portion of the request. Both chambers essentially approved the request for climate change activities. In the House, the Committee on Appropriations included report bill restricting EPA from spending funds on certain climate change activities. The House removed that language during floor proceedings.

The future of the Superfund, and its purpose of cleaning up toxic waste sites remains an issue. The FY2002 budget request of $1.219 billion was a proposed $3 million decrease compared to FY2001, and Congress approved the President's request for Superfund. There is concern over the ability of that declining trust fund, which is financed by chemical fees and other taxes, to finance the program beyond FY2002. The available balance of the fund has been declining since its taxing authority expired on December 31, 1995. The President's FY2002 budget did not propose renewing the taxes that support Superfund, and its balance at the beginning of FY2002 was projected to be $955 million, a level sufficient to accommodate the fund's share of the projected spending authority of $1.2 billion needed for FY2002, half of which would come from the fund and half from general appropriations.

By October 1, 2002, the beginning of FY2003, the fund level would fall to $539 million. During discussion of this at the May House Subcommittee hearings, the Administrator of EPA stated "that obviously we are going to have to depend more and more on general revenues." 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 would 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 IB10086, *The Environmental Protection Agency's FY2002 Budget*.

Federal Emergency Management Agency

The Federal Emergency Management Agency (FEMA) helps states and localities prepare for and cope with catastrophic disasters. FEMA administers policies related to emergency management, including: disaster relief, fire prevention, earthquake hazard reduction, emergency broadcasting services, flood insurance, mitigation programs, and dam safety.

At least 28 statutes and executive directives set forth the responsibilities of FEMA. (These authorities are summarized in CRS Report RS20272, *FEMA's Mission: Policy Directives for the Federal Emergency Management Agency*.) The Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 *et seq.)* authorizes the President to declare major disasters or emergencies (the latter provide considerably less federal assistance than the former), sets out eligibility criteria for federal aid, and specifies the types of assistance that may be provided by FEMA and other federal agencies. Disaster assistance funding varies from year-to-year by the severity and frequency of declared catastrophes. In recent years, billions have been appropriated to help communities recover from tornados, hurricanes, floods, earthquakes, and other incidents. For detailed information see CRS Report RL30460, *The Federal Emergency Management Agency: Overview of Funding for Disaster Relief and Other Activities*.

Table 11. Appropriations: Federal Emergency Management Agency, FY2001-FY2002
(budget authority in billions)

Program	FY2001 enacted	FY2002 request	FY2002 House (H.R. 2620)	FY2002 Senate (S. 1216)	FY2002 Conf. (H.R. 2620)
Disaster Relief Fund	.300	1.369	1.369	.359	.664
Emergency funding	1.300	--	1.300	2.000	1.500
Disaster assist. loan; admin.	.002	.001	.001	.001	.001
Radiological emergency prep.	0	-.001	-.001	-.001	-.001
Salaries and expenses	.215	.234	.228	.234	.234
Inspector General	.010	.010	.010	.010	.010
Emergency management, planning assistance	.270	.355	.405	.430	.405
Emergency food, shelter	.140	.140	.140	.140	.140
Misc. supplement. approp.[a]	.100	0	0	0	0
Nat'l Flood Insurance Fund[b]	.103	.105	.105	.105	.105
Emergency Response Fund (P.L. 107-38)	2.000	0	0	0	0
Subtotal (FEMA)	**4.440**	**2.213**	**3.557**	**3.278**	**3.058**

Source: H.Rept. 107-159; S.Rept. 107-43; H.Rept. 107-148; H.Rept. 107-272

Note: Rounding may cause discrepancies in subtotals.

[a] P.L. 106-554, FY2001 appropriations for the Departments of Labor and Health and Human Services (Labor-HHS), included $100 million for FEMA.
[b] National Flood Insurance Fund data includes salaries and expenses and flood mitigation funding.

The FEMA budget requests for each year include funds for normal agency operations and grant-in-aid assistance to nonfederal entities, in addition to emergency disaster relief. Should funds appropriated in annual legislation for disaster relief prove insufficient, supplemental funds are requested. For FY2002, the Administration requested $1.4 billion for the Disaster Relief Fund account for FY2002. For the entire agency, the House approved $3.557 billion, the Senate approved $3.278 billion. The primary difference between the two versions is in disaster relief. The House provided $1.369 billion in direct appropriations to the disaster relief fund, while the Senate approved $359 million. In contrast, the House provided $1.3 billion in emergency funding for disaster programs, and the Senate approved $2 billion. The Senate also approved $430 million in emergency management planning assistance, $25 million more than provided under the House bill.

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

National Aeronautics and Space Administration

The National Aeronautics and Space Administration (NASA) receives appropriations within three accounts: human space flight; science, aeronautics and technology; and inspector general. Human space flight includes the international space station (ISS), including construction of the station and cooperative activities with Russian space programs; the space shuttle program, including shuttle operations, maintenance, performance, and safety upgrades; space operations, and safety, mission assurance, engineering, and advanced concepts. Science, aeronautics and technology programs contain the bulk of NASA's research and development activities. The programs within this account include space science; biological and physical research; earth sciences; aero-space technologies; and academic programs. The last account includes funds for the Office of Inspector General.

NASA requested $14.51 billion for FY2002, an increase of 1.8% above the FY2001 level. According to NASA, the budget request gave "strong" support to the space launch initiative, improving aviation safety, and the Space and Earth Sciences programs. NASA officials also stated that the budget emphasized space exploration and science. During FY2002, NASA is making the first step in a 2-year transition to a full cost accounting budget, assigning all of the mission support activities to the respective enterprise accounts. The House approved $14.95 billion for NASA for FY2002, while the Senate approved $14.56 billion. In the final bill, Congress appropriated $14.79 billion, $281 million above the request. Included in the appropriation is about $206 million for specifically directed projects.

International Space Station. For the International Space Station (ISS) within the Human Space Flight account, NASA requested $2.087 billion, a 1.2% decrease below the FY2001 level. In March, 2001, NASA announced that an additional $4 billion might be needed to complete the station as currently configured. In order to accommodate this finding, NASA proposed scaling back the ISS to include only those units already constructed and awaiting launch, added about $1 billion to the ISS budget over the next 5 years, and canceled the crew return vehicle (CRV) project. The proposed changes could have a significant impact on the station's ultimate use as a research facility.

The House approved $1.832 billion for the ISS and the transfer of $284 million for ISS research to the Office of Biological and Physical Research (OBPR). The House also approved a separate $275 million for development of a CRV. The Senate approved $1.681 billion, a reduction of $150 million from the request, and joined the House in its recommendation that ISS research be transferred to the OBPR. Both the House and Senate expressed displeasure about the cost overruns, and the Senate capped total expenditures for the ISS during the period FY2002 through FY2006 at $6.678 billion.

Table 12. National Aeronautics and Space Administration Appropriations, FY1997-FY2001
(budget authority in billions)

FY1997	FY1998	FY1999	FY2000	FY2001
$13.71	$13.65	$13.67	$13.60	$14.29

Source: Figures for FY1997-FY2000 are from administration budget submissions of subsequent years; figures for FY2001 are from H.Rept. 107-159, and are the latest available estimates 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.

The final bill provides $1.756 billion for the ISS. This amount is $75 million below the modified request which transferred $284 million for ISS research to the OBPR. The transfer was endorsed by Congress. No funding was provided for the CRV. In addition, Congress limited total expenditures on the ISS for FY2002 to $1.963 billion, including civil service compensation, which currently is included in another budget line. Congress also directed NASA, along with OMB, to provide Congress with a report, specifying details of the U.S. Core Complete configuration, the content and scope of the scientific research program to be carried out on the ISS, and the costs and schedule of a CRV development program. Congress further directed NASA to put in place an integrated financial management system so that it can adequately manage its programs. Finally, Congress reduced funding for the ISS by $75 million from the request in order to force NASA to make the management reforms Congress believes are necessary to get ISS costs under control.

Space Shuttle. For FY2002, NASA requested $3.283 billion for the Space Shuttle program, 5.3% above the FY2001 level. The increase was intended to upgrade the shuttle to enhance safety and reliability. Safety continues to be a major concern about the shuttle. Because the shuttle is likely to be the primary means of human access to space for several more years, continued efforts to maintain safe operations are essential. The aging of the shuttle systems, and a corresponding attrition of the loss of skills of an experienced workforce as the Space Shuttle program evolves to the Space Flight Operations Contract, are likely to make this task increasingly difficult.

The House approved $3.311 billion for the Shuttle for FY2002, adding $35 million for infrastructure needs. The Senate approved $3.326 billion adding $50 million for safety upgrades. Both the House and Senate reaffirmed their interest in improving Shuttle safety and reliability. The final bill provides $3.27 billion for the shuttle program. The amount includes an increase of $20.0 million above the request for high priority shuttle safety upgrades.

Space Science. For FY2002, NASA requested $2.786 billion for Space Science, 5.7% above the FY2001 level. The Mars Exploration Program has been restructured and expanded, and four missions this decade are now planned (including one launched in April, 2001). NASA plans to launch several space science missions in FY2002, including the last great observatory currently planned, the Space InfraRed

Telescope Facility. NASA also announced that the Pluto/Kuiper mission will be deferred indefinitely because of cost considerations.

The House provided $2.759 billion for Space Science, reducing funding from the request for the Next Generation Space Telescope. The Senate approved $2.765 million, reducing funding for the Mars program by $50.0 million to await further development of the Mars exploration strategy by NASA. The Senate recommended partially restoring funding for the Pluto/Kuiper mission.

The final bill provides $2.85 billion for space science. Included in the increase above the request is $30 million for the Pluto/Kuiper mission and $10 million for the Living With a Star program. Congress lso provided the full request for the Mars Exploration program, but directed NASA to submit a report on missions planned past 2007. In addition, Congress noted NASA's desire to maintain a level of core competence at its centers, and permitted NASA to operate the Europa Orbiter mission intramurally if NASA can certify that doing so is necessary to maintain that competency. Further, Congress capped funding for the entire mission at $1billion.

Table 13. Appropriations: National Aeronautics and Space Administration, FY2001-FY2002

(budget authority in billions)

Program	FY2001 enacted	FY2002 request	FY2002 House (H.R. 2820)	FY2002 Senate (S. 1216)	FY2002 Conf. (H.R. 2820)
Human space flight	5.463	7.296	7.047	6.868	6.912
Crew return vehicle	0	0	.275	0	0
Science, aeronaut., tech.	6.191	7.192	7.605	7.670	7.857
Mission support	2.609	0	0	0	0
Inspector General	.023	.024	.024	.024	.024
Subtotal (NASA)	**14.285**	**14.511**	**14.951**	**14.561**	**14.793**

Source: H.Rept. 107-159; S.Rept. 107-43; H.Rept. 107-148; H.Rept. 107-272
Note: Rounding may cause discrepancies in subtotals.

Earth Science. NASA requested $1.515 billion for Earth Sciences, a 12% reduction, compared to FY2001. The Office of Earth Science (OES) continued its efforts to complete the first series of Earth Observing System (EOS) and Earth Probes and to establish a process by which the next generation of EOS and Earth Explorer missions could be defined and formulated. Five new missions are expected to be approved during FY2002. The OES will also orient the commercial remote sensing and applications program toward state and local government needs. In other areas, the OES plans to suspend development of the Triana satellite due to lack of space on the Space Shuttle to carry the satellite for the foreseeable future.

The House approved $1.517 billion for Earth Science, reducing funding for the EOS follow-on by $30 million. The Senate approved $1.558 billion, adding $31 million for development of the EOS Data Information System. The Senate expressed concern about the pace of implementation of a congressional directive to expand public/private remote sensing efforts and applications. In the final bill, Congress provided $1.573 billion for Earth Science. Included in the increase are $6.0 million for expansion of data processing and distribution capacity of the EOSDIS core system, and $23.5 million to develop additional uses for EOS data.

Aero-Space Technology. For Aero-Space Technology, NASA requested $2.376 million for FY2002, a 7% increase above the FY2001 level. Included in the request was a 64% increase for the Space Launch Initiative (SLI). NASA also proposed a refocused aeronautics R&D program, aimed at a 21st Century aerospace vehicle. The features of this program are not well defined, and critics suggest that it may not be what the commercial aviation industry needs at this point.

The House approved $2.431 billion for Aero-Space Technology including full funding of the SLI after expressing its strong support for the program. The House also expressed deep concern about the decline in NASA funding for aeronautics R&D over the past several years. It directed NASA to restore a specific line for aeronautics R&D to its operating plan and to include more industry representatives as it develops a blueprint for future aeronautical R&D efforts. The Senate approved $2.47 billion for Aero-Space Technology including increases for several aeronautics R&D programs. It also reduced funding for the SLI by $15.0 million from its request and directed NASA to improve coordination of the SLI with the Space Shuttle upgrade program.

The final bill provides $2.490 billion for Aero-Space Technology. Included in the increase are $10 million for the Ultra Efficient Engine Technology program and $15 million for aviation safety. Congress also reduced funding for the SLI by $10 million. In the accompanying report, Congress noted its dissatisfaction with NASA's treatment of aeronautical research and directed the agency to reestablish a specific line in the budget for aeronautics research for the FY2003 submission.

National Science Foundation

The FY2002 appropriation for the National Science Foundation (NSF) is $4.789 billion, 8% ($372.5 million) above FY2001. Support is provided for several interdependent priority areas: biocomplexity in the environment, information technology research, learning for the 21st century, and nanoscale science and engineering.

NSF will continue its lead role in the multi-agency National Nanotechnology Initiative. The appropriation includes $160 million in support of the President's New Math and Science Partnerships Initiative (MSPI), and NSF will assume a leadership role in the MSPI. The MSPI will provide funding for states and local school districts to join with colleges and universities to strengthen K-12 science and mathematics education. The FY2002 appropriation includes $75 million for a comprehensive research initiative on plant genomes for economically significant crops, including funding for high-throughput sequencing (such as full-length cDNA sequencing) of economically important crops. Also, conferees directed $105.5 million for graduate level stipends in the support of the research and teaching fellowship programs and training programs, approximately $10 million above the Administration's request.

Included in the FY2002 appropriation is $3.598 billion for Research and Related Activities (R&RA), 8% ($256 million) above the estimated $3.343 billion that was spent during FY2001. R&RA funds research projects, research facilities, and education and training activities. NSF has placed an emphasis in FY2002 on funding rates for new investigators and on increasing grant size and duration.

The R&RA includes Integrative Activities (IA), created in FY1999, which funds cross-disciplinary research, major research instrumentation, intellectual infrastructure, and the Science and Technology Policy Institute. The FY2002 appropriation for IA is $106.5 million, a 9% increase above the FY2001 level. Included in the support is $4 million for the Science and Technology Policy Institute, $27 million for the Science and Technology Centers, and $76 million for major research instrumentation. The legislation provides specific increases of $25 million for information technology research, $25 million for nanotechnology, and $12.5 million for increased energy and fuel costs related to polar and ocean sciences.

The conferrees directed NSF to establish priorities in the upgrading of its astronomical facilities and equipment, including the Very Large Array radio telescope in New Mexico, and the Greenbank Observatory and Robert C. Byrd Telescope in West Virginia. Funds were provided to increase the number of individual investigators in the astronomical sciences. Conferees placed a high priority on mathematics research, funded within the Mathematical and Physical Sciences in the R&RA.

Table 14. National Science Foundation Appropriations, FY1998 to FY2002

(budget authority in billions)

FY1998	FY1999	FY2000	FY2001	FY2002
$3.43	$3.67	$3.90	$4.43	$4.79

Source: Figures for FY1997-FY2000 are from administration budget submissions of subsequent years; figures for FY2001 are from H.Rept. 107-159, and are the latest available estimates 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.

The Major Research Equipment and Facilities Construction (MREFC) account is funded at $139 million in FY2002, 14% above the FY2001 level. (Formerly Major Research Equipment, the name was changed by conferees to better describe the mission of the activities in the account.) Established in FY1995, this account supports the construction of major research facilities that are at the "cutting edge of science and engineering." Projects funded in the MREFC for FY2002 include the Large Hadron Collider ($17 million); the Network for Earthquake Engineering Simulation ($24 million); Terascale Computing Systems ($35 million); the development, production, and instrumentation of the High-Performance Instrumented Airborne

Platform for Environmental Research (HIAPER); the initial construction of the Atacama Large Millimeter Array radio telescope ($12.5 million); and start-up costs for the IceCube Neutrino Detection project ($15 million).

Funding was completed in FY2001 for the South Pole Station Modernization. Language was included in the conference report directing the NSF to provide a report by the end of February 2002, on the full life-cycle cost of the projects and facilities supported by this account. The report is to include details of the implementation of the management plan submitted to the Administration in September of this year. The plan, *Large Facility Projects Management & Oversight Plan*, resulted from congressional concerns related to cost overruns and management by NSF.

Table 15. Appropriations: National Science Foundation, FY2001-FY2002

(budget authority in billions)

Program	**FY2001 enacted**	**FY2002 request**	**FY2002 House (H.R. 2620)**	**FY2002 Senate (S. 1216)**	**FY2002 Conf. (H.R. 2620**
Research, related activities	3.350	3.327	3.642	3.514	3.598
Major research equipment	.122	.096	.135	.109	.139
Education, human resources	.787	.872	.886	.872	.875
Salaries and expenses	.161	.170	.170	.170	.170
Office of Inspector General	.006	.007	.007	.007	.007
Subtotal (NSF)	**4.426**	**4.473**	**4.840**	**4.673**	**4.789**

Source: H.Rept. 107-159; S.Rept. 107-43; H.Rept. 107-148; H.Rept. 107-272

Note: Rounding may cause discrepancies in subtotals.

The FY2002 appropriation for the Education and Human Resources Directorate (EHR) is $875 million, 11% above the FY2001 level. Support at the precollege level includes an investment of $160 million to initiate the MSPI. The MSPI is the centerpiece of EHR's education activities at this level, resulting in the redirection of some funds from other EHR programs. The MSPI addresses such issues as teacher preparation and training, curriculum construction, and science and mathematics standards. Conferees requested that NSF provide detailed information to the Committee on Appropriations concerning the operation and execution of the MSPI.

Support continues for the Centers for Learning and Teaching, the Systemic Reform Initiatives, and Instructional Materials Development. Major programs at the undergraduate level are Advanced Technological Education, Louis Stokes Alliances for Minority Participation, Scholarship for Service, Minority-Servicing Institutions, and Course Curriculum, and Laboratory Improvement. Funding has been provided for a new undergraduate workforce initiative which includes a competitive grants program for increasing the number of students pursuing degrees in science and engineering.

Increased support at the graduate level will allow NSF to raise the stipend of graduate fellows and to increase the number of new fellowships offered. (Depending on the availability of funds, the graduate stipend level is projected to increase to $21,500 in FY2002.) 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 (formerly the Minority Graduate Education program).

Approximately $2.6 million was provided to establish a program to develop the research infrastructure at those Historically Black Colleges and Universities that offer doctorate programs in science and engineering. Funding for the Experimental Program to Stimulate Competitive Research (EPSCoR) is $80 million (an additional $30 million from R&RA will support EPSCoR activities).

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 beginning October 1, 2001.

Agency for Toxic Substances and Disease Registry. This agency manages the Toxic Substances and Environmental Public Health program, which issues toxicological profiles of possible toxic substances. The Agency conducts health studies, evaluations, or other activities, using biomedical testing, clinical evaluations, and medical monitoring. The agency was funded (via earmark) through EPA's Hazardous Substance Superfund through FY2000. P.L. 106-377 provided a separate line of $75 million for the agency for FY2001, although the Agency continued to be financed through the structure of the Superfund. The Administration proposed $78 million for FY2002, and recommended continuing the separate funding line for its appropriations. Both House and Senate versions of H.R. 2620 approved the requested level, and conferees concurred, asking that adequate funds be used for minority health professions, and for studies of the health effects of consuming Great Lakes fish.

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 3 large memorials in the U.S.

The House approved a $7 million addition to the Administration's request for the Commission, in part, to complete scheduled, but delayed maintenance; $5 million of the added amount is to provide for development of a visitor's center at the site of the D-Day invasion in Normandy. The Senate approved the $28 million the Administration requested for FY2002, without reference to the House proposal for clearing up the maintenance backlog or the D-Day center. Conferees accepted the House proposed funding level, and endorsed the planned use of the additional funds for maintenance and for the visitors center at Normandy.

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

Cemeterial Expenses, Army. Arlington National Cemetery and the Soldiers' and Airmen's Home National Cemetery are administered by the U.S. Army. By FY2001, 283,553 persons were interred/inurned in these cemeteries. In addition to almost 6,300 interments and inurnments each year, Arlington is the site of approximately 3,000 other ceremonies, and 4 million visitors, annually.

P.L. 107-73 provides the amount that the Administration requested for this function for FY2002, $18.4 million. The House approved $22.5 million for FY2002, endorsing a $4.1 million addition to the request for the purpose of building an additional Columbarium for Arlington Cemetery. The Senate bill approved $17.9 million, the amount provided for FY2001. For FY2000, Congress appropriated $12.5 million. The increase for FY2001 was intended to augment the expansion of Arlington National Cemetery into contiguous land sites previously used for military commands, and to fund the next increment of the Columbarium Complex.

Chemical Safety and Hazard Investigation Board. The Board, which was authorized by the Clean Air Act Amendments of 1990, investigates hazardous substance spills or releases. Congress appropriated $7.5 million to the Board for FY2000, provided a similar amount for FY2001, and the Administration requests $7.6 million for FY2002.

The House approved $8 million for FY2002, and the Senate approved the requested level. Both versions contain language that instructs the Inspector General for the Federal Emergency Management Agency (FEMA), to assume IG responsibilities for the operations of the Board. Conferees settled on $7.85 million.

Community Development Financial Institution Fund. The Community Development Financial Institutions Fund (CDFI) was created by P.L. 103-325. The CDFI fund program was a Clinton Administration initiative to provide credit and investment capital to distressed urban and rural areas. The program also provides training and technical assistance to qualifying financial institutions. P.L. 104-19 modified the original Act by giving the Department of the Treasury the authority to manage the CDFI program, although the program continues to be funded through the VA/HUD bill. The program has survived despite attempts to eliminate it.

P.L. 106-377 provided the Fund with $118 million for FY2001. Of this total, $5 million was set aside for technical assistance to promote economic development in Native American communities. The Community Renewal Tax Relief Act of 2000 (P.L. 106-554) created the New Markets Tax Credit Program which will be administered by the Fund. Through this program the Fund will allocate tax credits as part of an effort to expand incentives for business investment in low-income communities. Implementation of this program will begin upon completion of appropriate rules and regulations by the Internal Revenue Service.

P.L. 107-73 appropriates $80 million for FY2002, a decrease of 32% from the $118 million appropriated in FY2001. The Administration requested $68 million for FY2002. The Senate approved an appropriation of $100 million. The House approved an appropriation of $80 million and this was the amount agreed to by the conference. The conference agreed with the Senate provision for a set-aside of $5 million for Native American, Alaskan Natives, and Native Hawaiian communities. Conferees also agreed with the Senate's request for a report on rural lending practices to be included as part of the FY2003 budget submission.

Consumer Product Safety Commission (CPSC). This 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. Congress appropriated $49 million for FY2000, and $52.5 million for FY2001.

P.L. 107-73 provides $55.2 to the Commission for FY2002. The House had approved $54.2 million, the amount requested by the Administration. The Senate approved $56.2 million, with $1 million to be used for continuing efforts in support of recall and compliance activities, and $1 million to fund a research project "designed to accelerate the incorporation of state-of-the-art sensor technologies from the industrial, defense, and space sectors into consumer products."

Conferees expressed a public concern about "...the potential health and safety risks related to the use of chromated copper arsenate (CCA) to treat wood playground equipment...." and directs the Commission to report to the Committees on Appropriations by February 15, 2002, on progress made in the effort to identify whether there are significant risks to children playing on equipment treated with CCA.

Corporation for National and Community Service (CNS). The Corporation administers programs authorized under the National and Community Service Act of 1990 (NCSA) and the Domestic Volunteer Service Act of 1973 (DVSA). Appropriations for the NCSA programs, the largest of which is AmeriCorps, are included in the VA-HUD bill. The DVSA programs, — e.g., Foster Grandparents Program and Senior Companion Program — are funded under the Labor/HHS Appropriation bill. Authorization for CNS, 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 CNS could be audited and whether the audits were "clean." On April 4, 2001, CNS announced that it had received an unqualified or "clean" opinion on its fiscal 2000 financial statements.

Table 16. Appropriations: Other Independent Agencies, FY2001-FY2002

(budget authority in billions)

Program	**FY2001 enacted**	**FY2002 request**	**FY2002 House (H.R. 2820)**	**FY2002 Senate (S. 1216)**	**FY2002 Conf. (H.R. 2820)**
Agency for Toxic Substances and Disease Registry	.075	.078	.078	.078	.078
American Battle Monuments Commission	.028	.028	.035	.028	.035
Chem. Safety and Hazard Investigations Board	.008	.008	.008	.008	.008
Cemetery Expenses, Army	.018	.018	.023	.018	.023
Community Development Financial Institutions	.118	.068	.080	.100	.080
Consumer Product Safety Commission	.053	.054	.054	.056	.055
Corporation for National and Community Service[a]	.434	.416	.005	.420	.407
Council, Environ. Quality; Office, Environ. Quality	.003	.003	.003	.003	.003
Court of Appeals for Veterans Claims	.012	.013	.013	.013	.013
Fed. Consumer Inform. Center	.007	.007	.007	.007	.007
Federal Deposit Insurance Corporation (transfer)	*(.034)*	*(.034)*	*(.034)*	*(.034)*	*(.034)*
National Credit Union Admin.	.001	.001	.001	.001	.001
National Institute, Environmental Health Science	.063	.070	.070	.070	.070
Neighborhood Reinvestment Corporation	.090	.095	.105	.100	.105
Office, Science &Tech.	.005	.005	.005	.005	.005
Selective Service System	.024	.025	.025	.025	.025
Subtotal:	**0.939**	**0.889**	**0.512**	**0.932**	**0.915**

Source: H.Rept. 107-159; S.Rept. 107-43; H.Rept. 107-148; H.Rept. 107-272

Note: Rounding may cause discrepancies in subtotals.
[a] Totals for NCS include $5 million, specified for the Corporation's Office of Inspector General, for each fiscal year.

On January 29, 2001, when President Bush announced his "faith-based initiative," he indicated his support of CNS by noting that it "has done some good work in mobilizing volunteers of all ages." Most recently, in his November 8, 2001 address to the nation on homeland security, the president pledged to create new opportunities within AmeriCorps (and the DVSA Senior Corps) for public safety and public health efforts.

The Administration's FY2002 budget requested $416.48 million, including $5 million for the CNS Office of the Inspector General (OIG). For FY2001, Congress provided $433.5 million, which includes a $30 million rescission from appropriations made in previous years from the National Service Trust and a 0.22% cut required by the Consolidated Appropriations Act for FY2000 (Section 1403 of H.R. 5666, as enacted by P.L. 106-554).

The Administration did not request funds for educational awards for AmeriCorps and other program participants, asserting that educational awards can be made from the existing funds in the National Service Trust. The decrease in funding for FY2002 would be the result of not requesting funds for the educational awards. The Administration requested $237.0 million for AmeriCorps, a 2.8% increase. Funding for the National Civilian Community Corps, Learn and Serve America, and the Points of Light Foundation was expected to be the same as it was in FY2001.

The Administration proposed two new initiatives. The first was the Silver Scholarship program in which senior volunteers could receive $1,000 scholarships to be deposited in education savings accounts for their children, grandchildren, or another child in need. The total amount requested for this new initiative was $20 million, including $10 million for the trust fund for the scholarships. The second initiative was the Veterans Mission for Youth program, which was to provide matching grants to community organizations to recruit veterans to serve as mentors and tutors to youth. The Administration requested $15 million for this initiative.

The House-passed bill did not approve any funding for FY2002 for CNS programs, other than $5 million for the Office of the Inspector General (OIG). The Senate version of the bill approved $420.5 million, including $5 million for the OIG. The Senate version provided no new budget authority for the National Service Trust, because balances in the Trust were considered sufficient to cover the estimated education award liabilities for current AmeriCorps members. The bill did not fund the Administration's proposed Silver Scholarship program, but proposed funding the Veterans Mission for Youth at the requested level of $15 million. The bill funded AmeriCorps, the largest of the CNS programs, at $240.5 million, 4% more than the FY2001 funding level of $230.5 million and 1.5% more than the Administration's request of nearly $237 million.

The conferees agreed to this amount. The conferees did not fund either of the president's proposed new initiatives, stating in the report that "the authorizing committees of jurisdiction should evaluate and legislate these programs in the overall consideration of the Corporation's reauthorization." The conferees agreed to total funding of $407.5 million for FY2002, including $5 million for the OIG.

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*.

Council on Environmental Quality; Office of Environmental Quality. These two entities are within the Executive Office of the President. The Council oversees and coordinates interagency decisions in matters affecting the environment; the Office provides the professional and administrative staff for the Council. Congress appropriated $2.8 million for these functions in FY2000, and $2.9 million for FY2001. The Administration requested $2.974 million for FY2002. Both House versions of H.R. 2620 approve the requested level, and the conferees concurred.

U.S. Court of Appeals for Veterans Claims. The U.S. Court Appeals for Veterans Claims has exclusive jurisdiction to review decisions of the Board of Veterans' Appeals, and has the authority to decide relevant conflicts in the interpretation of law by VA and the Board of Veterans' Appeals. The Court's decisions constitute precedent to guide subsequent decisions by that Board. Congress provided $11.5 million for operations for the Court in FY2000, $12.5 million for FY2001. The Administration requests $13.2 million for FY2002; both versions of the bill approved the requested level, and the conferees concurred.

Federal Consumer Information Center (FCIC). Congress provided the FCIC $2.6 million for FY2000, and $7.1 million for FY2001. The Administration requested $7.3 million for FY2002, and both versions of the bill approve that amount, and the conferees concurred with that amount. 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. For FY2000 and FY2001, the amount approved was $33.7 million. The Administration's budget assumes $33.7 million for FY2002; both versions accept that assumption, as do the conferees.

National Credit Union Administration. The purpose of this administrative office, created under the National Credit Union Central Liquidity Facility Act (P.L. 95-630), is to improve the general financial stability of credit unions. Subscribing credit unions may borrow from the agency to meet short-term requirements. Congress approves a limitation on administrative expenses, which are financed from the revolving fund ($257,000 for FY2000; $296,000 for FY2001). Congress also approved a revolving loan program for credit union risk pooling for FY2000, with a subsidy of $1 million; P.L. 106-377 repeated that amount for FY2001. The Administration requested appropriations for a similar pooling fund for FY2002, with a subsidy of $1 million, and both versions of the bill approve the concept, with that amount. The conferees concurred, but asked the NCUA to provide better information to the Committees on Appropriations so that the performance of this activity could be better monitored.

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). For FY2000, $60 million was earmarked for this Institute from EPA's Hazardous Substance Superfund account. Congress approved $63 million for FY2001, specifying $40 million for research, and $23 million for a worker training program. The Administration requested $70.2 million for FY2002; both versions of the bill approved that request, and the conferees concurred.

Neighborhood Reinvestment Corporation (NRC). The NRC leverages funds for reinvestment in older neighborhoods through community-based organizations called Neighbor Works. Among projects supported by the financing activities of the NRC are lending activities for home ownership of low-income families. Nationwide, there are 184 of these organizations, serving 825 communities in 45 states, with 70% of the people served living in very low and low-income brackets. Congress provided NRC with an appropriation of $75 million for FY2000, and $90 million for FY2001.

The Administration requested $95 million for FY2002. The House approved $105 million for FY2002, and H.Rept. 107-159 comments favorably on an Administration proposal that the NRC become more involved in combining Section 8 housing assistance, counseling, conventional mortgages, and NRC revolving funds to help low-income families to purchase their own homes. The Senate approved $100 million, and its report also commends the NRC for its efforts to improve low-income housing opportunities, and provides $5 million above the requested level to help fund housing developments that appeal to a mix of income levels.

Conferees adopted the House recommendation, designating $10 million to support the Section 8 homeownership program. The conference agreement also endorses the Corporation's efforts to expand the available stock of "mixed-income" affordable rental housing, through the use of "mutual housing," as well as acquisition and preservation of existing units. The Corporation was directed to provide a detailed accounting of how many families are being helped through the activities of the Corporation's program to expand affordable housing.

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 executive branch, and reviews and participates in formulation of national policies affecting those areas. The Administration requested $5.3 million for the Office for FY2002, and both versions of the bill approved the requested amount. Conferees approved the requested amount, and directed the Office to make a priority its effort to clarify the International Traffic in Arms Regulation. Congress appropriated $5.2 million for FY2001, and $5.1 million for FY2000.

Selective Service System (SSS). Congress appropriated $24.5 million for the SSS for FY2001; the Administration requested $25 million for FY2002; both versions of the bill approved the requested amount, and the conferees concurred. 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 been on voluntary recruitment and incentives, the SSS remains the primary vehicle for conscription should it become necessary. In 1987, the SSS was given the task of developing a postmobilization health care system that would assist with providing the Armed Forces with health care personnel in time of emergency. Congress appropriated $24 million for this office for FY2000.

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 IB10086, *The Environmental Protection Agency's FY2002 Budget*, by Martin R. Lee.

CRS Report RL30460, *The Federal Emergency Management Agency: Overview of Funding for Disaster Relief and Other Activities,* by Keith Alan Bea.

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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.