

Congress of the United States
Washington, DC 20515

June 20, 2005

Honorable Alphonso Jackson
Secretary
Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

RE: Docket Number FR-4874-P-07
Proposed Rule for Revisions to the Public Housing Operating Fund

Dear Secretary Jackson:

We are writing to request that the U.S. Department of Housing and Urban Development (HUD) withdraw the above-referenced proposed rule published in the Federal Register on April 14, 2005 and to further request that HUD issue the rule that was agreed upon last June by the Congressionally-mandated Negotiated Rulemaking Committee following lengthy deliberations.

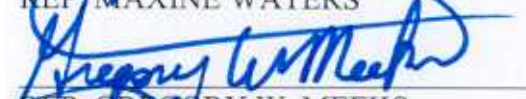
As you know, Congress has twice directed HUD to conduct negotiated rulemaking for the Public Housing Operating Fund. In 1998, Congress enacted major legislation reforming the public housing and Section 8 programs. As part of that reform, Congress directed HUD to convene stakeholders in public housing to develop a new formula for distributing the Public Housing Operating Fund, which covers the difference between what tenants can pay in rent and what it costs to provide services such as maintenance, utilities and supportive services in public housing. In 2004, after seven years and an independent study by the Harvard Graduate School of Design, Congress reiterated its directive to negotiate the rule. As a result, significant compromises were made on the part of residents and public housing authorities on the Negotiated Rulemaking Committee to develop a rule that won the approval of all the stakeholders, including HUD. HUD's proposed rule, however, reneges on the negotiated agreement.


Unfortunately, the rule published by HUD would cut much needed funding for the operation of public housing in communities across the country and undermine public confidence in the Negotiated Rulemaking process. Contrary to what was agreed upon by the Negotiated Rulemaking Committee, the proposed rule makes a number of changes to the formula, including elimination of the \$2 public entity fee, elimination of the add-on costs paid to public housing authorities for vacant units, elimination of the property expense level inflation factor, extension of the phase-in period for PHAs that would receive a higher subsidy and a reduction in the non-profit ownership co-efficient. It is estimated that these changes could cut public housing operating funds by as much as \$500 million – from \$4.2 billion to \$3.7 billion -- compared to what HUD agreed to during Negotiated Rulemaking. In the aggregate, the rule would not provide enough funding to implement much needed reforms and improvements in the operation of our nation's public housing. Furthermore, we understand that approximately 2,000 communities across the country would see cuts below amounts that they would have received under the negotiated rule. These cuts are very disappointing, as is HUD's decision to disregard two Congressional directives, renege on negotiations, and betray the good faith exhibited by public housing authorities and public housing residents.

The establishment of an accurate formula for the Public Housing Operating Fund is critical to the effective and efficient functioning of the public housing program. We, therefore, urge you to take immediate steps to withdraw HUD's proposed public housing operating fund rule and, instead, replace it with the negotiated rule. Thank you for consideration. We look forward to hearing from you soon.


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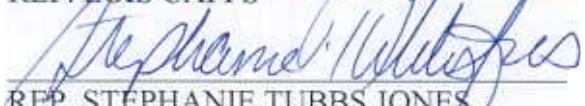

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cc: Joshua B. Bolton, Director, Office of Management and Budget