

STATEMENT OF THE HONORABLE WM. LACY CLAY

Before

The Subcommittee on Housing and Community Opportunity
"Federal Spending Requirements in Housing and Community Development Programs:
Challenges in 2008 and Beyond"

July 9, 2008

Good morning, Madam Chairwoman, Ranking Member, Members of the Committee and witnesses.

The St. Louis Housing Authority (SLHA) has had some difficulty spending allocated funds for various programs. One of the issues involves the Section 8 program. In FFY 2007, SLHA received notification of the funding for its program in late June. The notification stated that SLHA was going to receive approximately \$3 million more in funding than we expected on July 1, 2007.

While this was good news because the extra funding will allow us to assist more families, the down side was we had very little time to expend the funds. SLHA's fiscal year ends on September 30th. Because of the huge increase in funding on July 1st we would have had to lease approximately 1400 additional units per month to expend the extra funds. As our program is about 5200 units, the task was not possible with the resources we had.

In FFY 2008, we were informed of the funding level in April, 2008. We were not sure if the prorating of the funding was going to be reduced from the 2007 level until we received the notification. In 2008, the funding level increased only slightly. To ensure that we do not overspend we tend to be conservative. Once we were assured the funding level, we have been aggressive in attempting to lease-up units and expend the funds, calling over 1700 families off the waiting list. The current timing of funding notification makes it very difficult to plan.

The ability to plan is also a significant issue in the public housing operating subsidy program. In our last two fiscal years our operating subsidy amount has not been approved by HUD until after our fiscal year ended. While the funding is still provided by HUD and the level is/has been a little more predictable, the exact prorated amount has not been provided until late September or early October. SLHA has taken a fiscally responsible approach to ensure we do not spend more than we are going to receive. However, when we don't know how much we are going to receive until after your fiscal year is over, financial planning is extremely difficult.

In the Public Housing program the level of funding for Operating Subsidy and Capital Funding was insufficient for the last several years. We are currently operating with about 84% of the funding HUD has determined we need to operate. This, combined with the fact that we don't know exactly how much funding we are going to receive, makes it difficult to continue to provide the necessary services to public housing residents.

I yield back the balance of my time.