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LEGISLATIVE PROPOSALS TO REFORM THE HOUSING CHOICE VOUCHER PROGRAM

HEARING

BEFORE THE

SUBCOMMITTEE ON
INSURANCE, HOUSING AND
COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

JUNE 23, 2011

Printed for the use of the Committee on Financial Services

Serial No. 112–40

U.S. GOVERNMENT PRINTING OFFICE

67–935 PDF WASHINGTON : 2011

For sale by the Superintendent of Documents, U.S. Government Printing Office
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LEGISLATIVE PROPOSALS TO REFORM THE HOUSING CHOICE VOUCHER PROGRAM

Thursday, June 23, 2011

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON INSURANCE, HOUSING
AND COMMUNITY OPPORTUNITY,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:31 a.m., in room 2128, Rayburn House Office Building, Hon. Judy Biggert [chairwoman of the subcommittee] presiding.

Members present: Representatives Biggert, Miller of California, Capito, Duffy; Gutierrez, Waters, Cleaver, Sherman, and Capuano.

Also present: Representative Green.

Chairwoman BIGGERT. This hearing of the Subcommittee on Insurance, Housing and Community Opportunity of the Committee on Financial Services will come to order.

We will begin with our opening statements. Without objection, all members' opening statements will be made a part of the record. And I recognize myself for such time as I may consume.

Good morning, and welcome to today's hearing to examine legislative proposals to reform the Housing Choice Voucher Program.

Section 8 is an important program created in the 1970s to provide rental assistance as an alternative to public housing for low-income families, especially veterans, people with disabilities, the elderly, and single parents. It is the Nation's largest low-income housing assistance program, providing assistance to around two million families.

Section 8 vouchers are tenant-based as well as project-based subsidies that low-income families use in the private market to lower their rental cost to 30 percent of their income. However, during the past decade, the program's costs have grown by almost 80 percent and consume over 61 percent of HUD's budget.

In 2002, Section 8 appropriations were $15.6 billion. In Fiscal Year 2011, they amounted to $27.6 billion. That rate of growth is unsustainable.

The legislative discussion draft that we will examine today to address these escalating costs reduces bureaucratic inefficiencies, burdens, and requirements in the Section 8 Program so Federal resources can be more effectively used to help those most in need. It also enhances the Family Self-Sufficiency Program so more families can gain the skills they need to transition from government assistance to independence.

I would appreciate hearing from today's witnesses about the Moving to Work Program (MTW) and how to address the long waiting list. I look forward to our discussions about ways to cut red tape in Section 8, reduce costs, and better meet the needs of struggling families. These are especially important goals given the limited Federal resources at hand.

I look forward to working with my colleagues on both sides of the aisle to achieve commonsense reforms, and achieve the Section 8 program for local public housing authorities, housing owners and managers, taxpayers and families in need.

With that, I recognize Ranking Member Gutierrez for an opening statement.

Mr. GUTIERREZ. Good morning. And I would like to thank our witnesses for being here today. We are here to discuss the Housing Choice Voucher Program and the discussion draft circulated by the Majority of the Section 8 Savings Act, otherwise known as SESA.

I commend the chairwoman for raising this very important topic, and for placing Section 8 reform on the subcommittee's agenda. It is unfortunate we have been unable to get Section 8 reform passed in previous sessions of Congress, although we have come close on several occasions. I wish the lady Godspeed in getting it done this year.

I am a strong supporter of Section 8 housing assistance and focusing our resources on what we can do to expand the availability of affordable housing, and by doing so expand the avenues available to families to enter the middle class and build strong, stable communities.

Making safe, clean, affordable housing an obtainable goal for more Americans is not a threat to our economy. It is actually the backbone of our economy. So I welcome the discussion on how to make affordable housing programs better and stronger.

I think that we can agree that is a starting point we can build upon in the coming months. In the spirit of collaboration, Madam Chairwoman, I would like to see the subcommittee work together on this, both to make sure that we can come to an agreement that properly addresses the issue and an agreement that most effectively serves those in need of a place to call home.

I would like to share a little background of myself to put in context the issue of affordable housing availability to demonstrate the importance of HUD's rental assistance programs.

A little known fact about me is that I started grassroots organizing community advocacy in affordable housing opportunities in the City of Chicago in the 1980s. Through my work with Bickerdike Redevelopment Corporation, I experienced firsthand the wealth of contributions affordable housing rental units offered to extremely low-income communities where families were earning significantly less than 30 percent of the area's medium income.

I worked to bridge the disparity that existed in the lack of affordable, safe, and decent housing options to people with disabilities, senior citizens, homeless people, and severely low-income families. Today, I see these programs continuing to work for my constituents back home, especially during these very tough economic times.

These programs are critical now more than ever. We must be diligent in our effort in Congress to reform voucher legislation so that we can continue to provide this very important assistance.

I look forward to the testimonies and comments on this matter. And I thank the chairwoman.

Chairwoman BIGGERT. The gentleman yields back.

The gentleman from California, Mr. Miller, is recognized for 4 minutes.

Mr. MILLER OF CALIFORNIA. I want to thank Chairwoman Biggert for convening this hearing today on Section 8, something we have been working on for quite a few years.

Our subcommittee has been examining this issue for quite some time. It is important to move forward with legislation—administrative burdens on PHA so they can make sure low-income residents have safe, decent, and affordable housing.

There is no question that we are asking the PHAs to do more with less Federal resources, particularly at this time of significant budget constraints. It is important to find a way to make programmatic changes that will increase efficiencies without impacting quality.

The bill before us today, which reduces administrative burdens with respect to inspections of units, simplifies procedures of determining tenant contributions, reduces the recertification of certain residents, and targets those most in need, to save taxpayers $1 billion over 5 years.

The bill takes an approach that I have supported. Rather than a one-size-fits-all approach and bureaucratic red tape, we should give the PHAs the flexibility to meet the unique challenges they face while making them accountable for results for the residents they serve.

While this bill is an excellent step to alleviate the administrative burdens on PHAs while maintaining access to affordable housing, I believe it misses a key tool we already have in existence to further that important goal.

Specifically, I believe any bill our subcommittee passes with Section 8 reform must include the expansion of the Moving to Work Program. This Program allows PHAs to have the flexibility they need to be innovative in servicing residents, increasing homeownership opportunity, and helping residents become employed and self-sufficient.

HUD recently released a report about the program and found that the agencies that had the Moving to Work designation are reducing cost without negatively impacting the residents, and encouraging self-sufficiency through rent reform and services.

There are currently only 35 PHAs in the country with Move to Work designations. This is 1 percent of all the housing authorities in the United States. I have long advocated for increasing this number so that more PHAs may have the opportunity to design strategies that work in their communities.

In my district, the Housing Authority of the County of San Bernardino (HACSB) has moved the Moving Work Program to good status. Because they have MTW, HACSB has been able to implement a number of the reforms contemplated in the discussion draft

we are considering today. They have had a positive result with the community.

In addition to those things contemplated in the discussion draft, the MTW status has allowed HACSB to promote self-sufficiency among assisted families, achieve programmatic efficiencies, reduce costs, and increase housing choices for low-income households.

I would like to submit for the record testimony of Susan Benner, executive director of the Housing Authority of San Bernardino County, which outlines how flexibility has helped HACSB better serve their community—

Chairwoman BIGGERT. Without objection, it is so ordered.

Mr. MILLER OF CALIFORNIA. The PHA should be allowed to become MTW. And I hope that the chairwoman will work with me as this legislation moves forward to include the expansion of the MTW program in the Section 8 legislation.

I do look forward to hearing the testimony today from our witness. I know you are very well-informed, and I have quite a few questions I would like to ask you.

And I yield back my time.

Chairwoman BIGGERT. The gentleman yields back.

We will now turn to our first panel, consisting of the Honorable Sandra B. Henriquez, Assistant Secretary, Office of Public and Indian Housing, U.S. Department of Housing and Urban Development.

Welcome, Assistant Secretary, and as usual, you will have 5 minutes for your opening statement, and then we will ask you questions. You may proceed.

STATEMENT OF THE HONORABLE SANDRA B. HENRIQUEZ, ASSISTANT SECRETARY, OFFICE OF PUBLIC AND INDIAN HOUSING, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Ms. HENRIQUEZ. Thank you, Chairwoman Biggert, Ranking Member Gutierrez, and members of the subcommittee for inviting me to testify this morning on the Section 8 Savings Act discussion draft.

As you know HUD's three major rental programs—the Housing Choice Voucher Program, the Project-Based Section 8 Program, and the Public Housing Program—serve over four million low-income families nationwide. The annual median income of these families in HUD-assisted housing is $10,200 per year, and over half of those individuals or families are seniors or disabled individuals.

HUD is committed to ensuring that our housing assistance programs become more efficient, cost-effective, and easier to operate for both the housing providers and the families that we serve. For these reasons, several changes were included in the Department's Fiscal Year 2012 budget request.

The changes we proposed would do the following: modify the frequency of recertification of income for families on fixed incomes; revise the elderly and disabled standard deductions to make it easier to calculate rent; create a definition of extremely low income to increase access to housing assistance programs for working poor families in rural areas; authorize housing authorities to approve rents up to 120 percent of the fair market rent for families with disabil-

ities instead of waiting for HUD approval; and allow HUD to undertake a rent policy demonstration in order to test various rent structures to promote self-sufficiency, to increase income, and to reduce administrative burdens on public housing authorities and residents.

Taken together, these changes would save over $1 billion over the next 5 years in our 3 largest rental assistance programs. And many of these provisions, as you know, are included in the draft of SESA.

I would like to briefly discuss some of these provisions and additional modifications to SESA that would strengthen the legislation and ensure that our programs are working effectively for housing authorities, multifamily owners, and for our residents. SESA includes many provisions that will streamline the administrative burden for housing authorities and landlords while improving access to safe, decent, and affordable housing.

For example, the bill allows for biannual housing inspections instead of annual ones, and allows housing authorities to use inspection certification from other State or Federal housing assistance programs to meet inspection requirements. These changes will provide housing authorities with the flexibility to concentrate their inspection resources on those units that are in poorer condition.

In addition, SESA would reform the current income and rent calculation system by allowing housing authorities to defer their income reexamination for families with fixed incomes for up to 3 years.

The draft also allows housing authorities to utilize income data collected from other Federal means-tested programs to determine a family's income. This will encourage information sharing between housing authorities and other Federal and State assistance providers, and reduce staff time in determining eligibility and income.

It is important to note that unit inspections, income verification, and tenant eligibility are some of the most time-consuming and costly elements of running the Housing Choice Voucher Program, which is currently conducting an in-depth time and motion study to determine the cost necessary to run an HCV program effectively and efficiently.

The results of this study will not only provide justification to establish a viable and supported fee formula, but will allow HUD to analyze all aspects of the voucher administration program in order to further reduce and simplify administrative responsibilities.

While the results from the study will not be available for some time, it is clear that the streamlining provisions in SESA for inspections and income determinations will reduce administrative burden and allow housing authorities to direct their resources to better serve families.

While it is important for us to get a better picture of the cost of running this program, it is also important that funding for vouchers remains stable and consistent. SESA establishes a minimum reserve amount at a housing authority that they would hold for their voucher program at 6 percent of funding.

And as a way to ensure adequate funding for existing vouchers, HUD has proposed language that would allow us to offset funding against any reserves and then reallocate excess amount to high-

performing PHAs. Combined with the minimum reserve provision in SESA, offsetting reallocation authority will help to ensure that housing authorities do not build up excess reserves, and will assist additional families.

I want to quickly touch on the provisions in the draft bill in the Family Self-Sufficiency Program. The Family Self-Sufficiency Program is available to our tenants in public housing and our voucher program, but not to tenants in our multifamily properties.

SESA expands the program to these tenants, and in addition, the bill proposes to merge public housing and the HCV Family Self-Sufficiency Program, cutting back on duplicative administrative requirements for housing authorities that operate both programs.

One additional change would streamline administration of these programs to create a single funding stream for self-sufficiency service coordination.

Chairwoman Biggert, you have been a strong supporter of the Family Self-Sufficiency Program, and I want to commend you for your leadership on these programs. You recognize just how important these programs are in helping families become more self-sufficient, decreasing the need for rental assistance.

Lastly, in order for HUD and PHAs to be effective and successful housing providers, the right tools need to be in place to ensure that we can respond to the needs of local communities. SESA includes language that would allow housing authorities to provide Project-Based Voucher contracts for 20 years instead of 15 years. This is an important housing preservation tool.

We believe that this provision, in addition to other changes in the Project-Based Voucher Program, will enable housing officials to increase access to housing opportunities based on the need in their communities, and promote the development of mixed-income housing while reducing or eliminating administrative red tape in the program. HUD is committed to ensuring that our programs can operate in a manner that works well for our housing providers, for multifamily owners, for our housing authorities, and for our residents.

We believe that SESA will help reduce administrative burdens to those operators and to residents, to expand self-sufficiency opportunities for families we serve. And I look forward to answering any of your questions. Thank you.

[The prepared statement of Assistant Secretary Henriquez can be found on page 80 of the appendix.]

Chairwoman BIGGERT. Thank you very much for your testimony, and now we will proceed with our questions. We will try and limit ourselves to 5 minutes each. And I will start with my 5 minutes.

Let me turn to the Family Self-Sufficiency Program. First of all, do you think it is an effective program?

Ms. HENRIQUEZ. Yes, I do.

Chairwoman BIGGERT. Okay.

Ms. HENRIQUEZ. I think it needs to be expanded and to increase its effectiveness.

Chairwoman BIGGERT. And do you think then that it should be expanded to programs that it has not included right now?

Ms. HENRIQUEZ. Yes, I do, Chairwoman Biggert. There are about 1,000 housing authorities that run both programs, have self-sufficiency programs for its voucher and public housing residents.

We want to expand it to our multifamily residents as well. And we really want to encourage more housing authorities that run these programs to increase—

Chairwoman BIGGERT. I know that when Ms. Waters was chairwoman of this subcommittee and I was the ranking member, we went down to New Orleans after Hurricane Katrina. And there was a public housing development there that the residents wanted to go back into.

And I think that most of them had been there so, so long that it would have been nice to have the self-sufficiency stuff. That maybe they could have had the coordinator to help them move on. It seemed like it was just a stall of time there that nothing had happened.

But how do we address the long waiting list for such programs?

Ms. HENRIQUEZ. I think the issue is our long waiting list for people to move into public housing agencies, as well as both their public housing program and their voucher program. Once people have moved into those programs they are—those self-sufficiency programs are available to them. Again, we would like to have the expansion to more housing authorities and of course the multifamily portfolio as well.

The issue of the wait on waiting lists is really an issue of demand and supply and demand. And one of the reasons we are very anxious to make sure we have a consistent and stable funding source for the voucher program is so that more families can avail themselves of affordable housing that is needed, number one, and then be able to push the paid-in programs like the FSS.

Chairwoman BIGGERT. When there is a long waiting list, and you know it comes up that somebody is next in line and eligible, what has happened to them? Let us say, how long is the waiting list? And what happens to the people who are trying to be in the program?

Ms. HENRIQUEZ. That is a good question. Having run a housing authority, I can tell you that sometimes in Boston we would have as many as 100 families a week applying, new families applying for the affordability offered by our program.

Waiting lists and the length of those waiting lists varies by locality, by jurisdiction. It depends on what other affordable housing is available in that particular community or jurisdiction. It is not uncommon, however, for people to be on waiting lists for many years waiting for an opportunity for that affordability.

And what happens in the meantime, I think, is people do struggle. I think people do try to figure out how to hold on for as long as possible. It may mean that families double up with other family members. It may mean that they are living in less than safe and decent circumstances while they are waiting.

People will do a variety of things. And as you know, a number of people will fall out of shelter and into homelessness either in shelters or on the street, which is unfortunate.

I do think that we find more and more people staying longer, which is why self-sufficiency is so important. And to get public

housing and other affordable programs to be the platform they were originally meant to be, which is to move in, get financially stable, create a basket of services around families who then can build on their educational opportunities and their economic development and get into the workplace, stabilize their income and self-sufficiency.

As they increase income, money is set aside so those families can take that once they have reached their goals and move to homeownership, move to a different sort of rental setting where the subsidy is not necessary, but really make decisions for themselves and their families where we all probably take them for granted. And I would say about 20 percent of the participants in the FSS program currently do move onto homeownership.

Chairwoman BIGGERT. Thank you, and just one other quick question.

One provision that you suggest for inclusion in SESA is in your testimony is language authorizing the PHAs to approve rents up to 120 percent of the fair market value, rents for families with disabilities, instead of waiting for HUD HQ approval. Why is this important for the PHAs?

Ms. HENRIQUEZ. I think it is more important for the residents who need that kind of flexibility and a much more timely decision on the SMRs and the waiver to go to 120 percent. Otherwise you then—a disabled family would find a unit, negotiate the rent as best they could, would send it to the housing authority who then sends it into local HUD office, sends it into headquarters and then you might end up losing that unit.

And so it is—to streamline this really means that at the local level, a quicker decision can facilitate that family being housed more quickly, more appropriately, and not losing any unit.

Chairwoman BIGGERT. Thank you. I yield back my time I do not have.

The gentleman from Illinois?

Mr. GUTIERREZ. I would like to ask you about—I do not see anything in the discussion draft about utility payments. Could you talk a little bit about how you see us moving forward in terms of the inclusion? Because it seems to me that it is one of the largest parts of housing. That is, how do you pay to keep your apartment warm and keep the electricity on?

Ms. HENRIQUEZ. I will tell you a little bit and then I would probably want to get back to you with more complete information. In the voucher program right now, a family's household rent is based on, as you know, their income. And if utilities are included or need to be paid separately rather, as it happens mostly in the voucher program—

Mr. GUTIERREZ. I guess I just do not see it in the discussion draft, any mention of it. And it was in the bill last year. I am with—

Ms. HENRIQUEZ. I do not see it there so I—we would be willing to work with the committee about getting some language in there, as long as it meets the parameters of the program.

We have to figure out ways in which we need to do a better job in doing utility allowances and what those schedules mean and how to implement them more quickly for the families who need to

pay the utility separately. But we would like to work with the committee about that.

Mr. GUTIERREZ. Another area that I would just like to get your thoughts—so give me your thoughts on how you deal with keeping units safe from criminal elements.

Ms. HENRIQUEZ. I am going to hearken back to my days as executive director of the Boston Housing Authority.

First of all, every housing authority, a housing provider goes through a screening process, an application process with residents, applicants. They then are screened, background checks, checks just in terms of landlord/tenant references, etc., acceptance of mitigation—savings of mitigation should there have been a problem in the past which may affect one's ability to be a successful tenant and abide by the lease. Go through all of that process, then make an offer to a family to be housed.

So that is one way of trying to make sure that going in, the resident community is a stable community. And that the neighborhood is not unduly influenced by negative effects of crime and things against public safety.

I would go further to say, however, that when a public housing community or voucher residents are out in a neighborhood in a community, that it is incumbent upon the public safety officers in that jurisdiction to provide security as they would to any other non-subsidized resident in a neighborhood.

Mr. GUTIERREZ. Because the time has gone out.

And I guess that is the point I would like to be able to discuss further because it seems to me that as, especially in those units that—in multiple-unit complexes that the standard should be as high as necessary in order to keep the population as safe as possible. And that we should look at what is within the confines of the law in the private sector so that we are not using a lesser standard.

Because I think your experience and my experience is probably the same, is that you have many more people who need and qualify for the units than the units that are available. And should not at some point we take into consideration just how it is that family has dealt with the challenges in raising young men and women, and within their own responsibility as American citizens and adults who want to join a program.

What do you think about that?

Ms. HENRIQUEZ. I would agree with you. And I do believe that housing providers provide an incredibly high bar for people to, in terms of eligibility and screening. I think that is appropriate.

I think that is the standard that public housing providers and multifamily owners provide that is consistent in the marketplace with those who provide housing that is not subsidized. So there is that consistency.

We all want good communities. We all want safe communities for residents, regardless of their economic levels. And housing authorities and other providers have the opportunity to use their funds both to enhance public safety—

Mr. GUTIERREZ. And because of my time—so I want to work with you on that.

Ms. HENRIQUEZ. I will look forward to that.

Mr. GUTIERREZ. Here is the specific issue. Just because you are low and moderate income, you should not be kind of denied the same access to safety. When you get a housing unit, that housing unit should be considered within the management, the safety of the community of people. There should not be a lesser standard. Thank you.

Ms. HENRIQUEZ. We agree.

Chairwoman BIGGERT. The gentleman yields back.

Mr. Gutierrez, this bill does actually address the utility data in Section 12. It has for HUD to collect and publish the utility consumption data to assist in the establishment of a tenant-paid utility allowance by public housing agencies. So you might take a look at that.

The gentleman from California, Mr. Miller, is recognized for 5 minutes.

Mr. MILLER OF CALIFORNIA. You stated the percentage of individuals on Section 8 who move on to homeownership. What percentage was that?

Ms. HENRIQUEZ. We calculated about 20 percent of people who have participated in FSS.

Mr. MILLER OF CALIFORNIA. Twenty percent are able to move onto homeownership. I know the problem I have always had with the program is that the time people have to wait to be serviced to get on the program. And that is an extensive length of time.

Mr. Gutierrez talked about the safety issue, and the longer people are in that situation the more difficult their life can be in many ways. And that is why I have always supported the Move to Work Program because it has been proven to work.

In fact, in August 2010, in a report on Moving to Work, HUD stated, "Most MTW agencies have actually served substantially more families than they would have been able to serve without MTW by streamlining operations and using accumulated funds to administer new assisted housing units."

Do you agree or disagree with that statement?

Ms. HENRIQUEZ. I do agree with that statement.

Mr. MILLER OF CALIFORNIA. So if we are really trying to help people who are in a very difficult situation, understanding the long waiting list of people who are in need of help. If we implemented these reforms, and in fact we have done that in my County of San Bernardino and it has proven very successful, do you think we can actually do a better job helping people who need assistance?

Ms. HENRIQUEZ. I would answer your question this way. I do believe that the MTW program is unique. I think we need to do—and I do believe what was written in the report.

We are, however, doing an evaluation, having a contractor come in to evaluate the merits of the program to make sure that indeed all of the things that those MTW agencies are working towards and that they are delivering on are indeed. We have the facts, we have the data to support all that agency-by-agency.

Mr. MILLER OF CALIFORNIA. What benefits are you seeing in MTW that you have personally noticing do you think is working?

Ms. HENRIQUEZ. I did not run an MTW agency, unfortunately—

Mr. MILLER OF CALIFORNIA. But you have seen the results—

Ms. HENRIQUEZ. I would see, for example, in some agencies there has been the use of their funding to create sort of a mini voucher program for supportive services because they are really helping stabilize and transition housing for a number of individuals.

Mr. MILLER OF CALIFORNIA. Which is very important.

Ms. HENRIQUEZ. Which is very important.

I have seen that they have—the housing authorities have created baskets of services around families at particular developments so that they could move those families more quickly into self-sufficiency.

Mr. MILLER OF CALIFORNIA. So people are being moved off of the waiting list into a situation where they are bettering themselves. Then they are being moved onto a better life at the end.

Do you believe that the MTW program helps PHAs do more with less? Because we are stuck in a situation in this government where we have less. Like it or not, there are just less available dollars out there.

Ms. HENRIQUEZ. I can not equivocally say that I think that they do more with less. I think that they are able to do more with the money they currently have, and to reach more people more effectively in the community.

I would be remiss if I did not suggest as well, though, that there are non-MTW agencies who also are able to do similar programs. They do not have quite the flexibility on the funding, but are able to use resources in a way and partner with other agencies at their local levels to effect a kind of change as well for the residents who live in those program areas.

Mr. MILLER OF CALIFORNIA. But the benefit I see in the flexibility is it allows the individual agencies to deal with the issues of their community, because not every community has identical issues. They vary dramatically.

Some are critical of the Moving to Work Program. One concern, and I think you started to address it, is a lack of data captured in demonstration HUD has administered over the last 10 years. How would you change the demonstration to effectively assemble the needed data to understand whether Moving to Work is helping families move toward self-sufficiency?

Ms. HENRIQUEZ. There are a couple of things.

One is as new agencies come into the program, we have been asking for them to identify in their proposal what changes they propose to take in this new flexibility, and then to give us baseline data; they must set up their own evaluation tools so we know going in what they look like in the current model. And as they move through and implement fully their MTW flexibility, what that data proves and shows us moving forward.

So we have a body of evidence of what the changes are so that for both those who support MTW and those who do not, we will have consistent data to look at and make sure we are all on the right track. And if we need them to work together to figure this out in a better way, we can do that.

Mr. MILLER OF CALIFORNIA. So data is pretty much available, it is just a matter of accumulating it on how an agency effectively worked prior to and after the MTW implementation. Thank you.

I yield back.

Chairwoman BIGGERT. The gentleman yields back.

The gentlelady from California, Ms. Waters, is recognized for 5 minutes.

Ms. WATERS. Thank you very much, Madam Chairwoman, for holding this hearing.

Ms. Henriquez, as you know the public housing program is facing what I believe is a serious crisis. Public housing is underfunded, and as a result units are falling into disrepair, putting the health and safety of residents at risk.

Demolishing units and providing vouchers is not the answer. I have long been a champion of one-for-one replacement as that is the only way to preserve units, protect families and ensure provision of much needed hard units of portable housing in our communities.

Can you tell me what steps the Department has taken to address this crisis in public housing? And describe what resources you need in order to preserve this stock?

Ms. HENRIQUEZ. Thank you, Ms. Waters, for the question. As you know, the public housing program is a 75-year-old program. That is an incredible investment on the Federal Government side, and preservation of that resource is critical. It is a resource for millions of families in the past, and should be preserved moving forward.

I would say that while one-for-one replacement is important to have hard units, that does not always work in every community. And we need to figure out and have as many opportunities to make sure that we have affordable housing in a community based on the need of that community.

But I would say, however, that you will see one-for-one replacement language in our Choice Neighborhoods Initiative. You will see it as we move in our rental assistance demonstration while indeed we are looking forward to one-for-one replacement.

We really are looking for in those markets that can handle it we will do so. There are sometimes markets that do not afford the ability for one-for-one. And it is the affordability and the preservation of that affordability for families who need it is our utmost concern.

To the extent that we look to our rental assistance demonstration to preserve for the longer term, the existing housing stock to put it on a stable financial footing, to put it on a stable physical condition footing by doing capital improvement and therefore preserving as much as possible that stock moving forward.

Ms. WATERS. Thank you very much.

While you are here I want to ask, are you familiar with the recent discrimination suit that was filed against two California cities, the Cities of Palmdale and Lancaster?

Ms. HENRIQUEZ. I am not, unfortunately.

Ms. WATERS. Would you take a look at the discrimination suit that was filed against Palmdale and Lancaster? We have been hearing about the harassment of Section 8 tenants for quite some time now. And Los Angeles County sheriffs have been used to—basically, they are a part of the harassment. It seems as if L.A. County shares this understanding that they are being called out by city officials to basically ask tenants if they are Section 8, to arrest them, and on and on and on.

And I think HUD should be aware of this. It should find out what your role is in protecting Section 8 tenants. Would you please take a look at that?

Ms. HENRIQUEZ. I will do so, and we will get back to you.

Chairwoman BIGGERT. Thank you very much.

I now recognize the gentleman from Texas, Mr. Green. I would just like to add that he is on the full committee and not on the subcommittee, but I think he has better attendance than most of the members of this subcommittee.

So we are really glad that you are here. You are recognized for 5 minutes.

Mr. GREEN. Thank you. Thank you, Madam Chairwoman. And I thank the ranking member and the witnesses as well. And thank you for your testimony.

I would like, if I may, to explore something that seems to be occurring that I do not have empirical evidence to support, the changing face of those who are in need of public housing. As you know, with the downturn in the economy, many persons who were homeowners are finding themselves in need of housing that they cannot afford.

And you may have addressed this. But can you just give some commentary on the changing—when I say the changing face, I am obviously talking about the economic status of persons who at one time were working and had a home that they were paying for, never thought that they would need assistance, and now they find themselves in need.

Are you finding—are the numbers supporting a large group of folks who are finding themselves in this position? Or is this just something that appears to be taking place, but there is no empirical evidence to support it?

Ms. HENRIQUEZ. I do not have empirical information or evidence to support that specifically. What I can tell you is that what we have seen over time given the financial conditions of the country at this point is that people are staying longer in affordable housing units. It is more difficult for people to move in and to move out and move up because of the affordability issue.

We also see that the waiting lists are getting longer. More people are applying because they need the affordability, given the change in their economic circumstances.

Mr. GREEN. And are you finding that you have people who do have some assets, but they do not have enough assets to afford housing without some assistance?

Ms. HENRIQUEZ. Yes. I would say that has been a constant.

Mr. GREEN. And is the asset base—typically, we like to think that the people who are the neediest are getting the public housing, and that is what I want to be the case. But when we start to look at the asset base of persons, you can find that there are people who have some assets who need help too.

And it seems that group is expanding rather than contracting because you have persons who had assets who lost their homes, they have been foreclosed on and now they need public housing. I call it public housing, affordable housing. That is the class of people that I am talking about. Any thoughts on this, please?

Ms. HENRIQUEZ. I guess I would say initially that indeed meeting with housing authorities are generally structured chronologically. And so therefore the first people who have applied, been on the list the longest, move through the system and get housed. And traditionally in most locations it has been folks who are the poorest who have applied early on and remain on that list.

And so the folks now come onto the list who find themselves as former homeowners who now move and find their circumstances change and need the affordability, you will find that they will be at the lower—the longest or at the bottom of those waiting lists, waiting their turn to move up and through the system as well.

Mr. GREEN. What about veterans? Are you finding more veterans applying for affordable housing? Or is there any way to quantify the number of veterans applying?

Ms. HENRIQUEZ. Veterans are applying both to the regular both Section 8 and to the public housing program. However, I would say that given the vast voucher program that has been in effect for a number of years, we are seeing more and more veterans housed through that Section 8 Program than in probably our regular public housing or Housing Choice Voucher Program.

Mr. GREEN. Are we finding that we have the vast program and veterans are taking advantage of it, but that because there may not be enough, they are also seeking other opportunities or other help?

Ms. HENRIQUEZ. I would say that whether it is veterans or other folks who need the affordability, people tend to then apply in as many different places as possible, whether they are applying to the multifamily program or to a public housing authority for a voucher program or public housing program. And people are trying to maximize their names on waiting lists so that they can afford themselves the affordability.

Mr. GREEN. My time has expired. Thank you.

I yield back.

Chairwoman BIGGERT. The gentleman yields back.

I would like to thank the witness for being here today. And the Chair notes that some members may have additional questions for this witness that they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for members to submit written questions to this witness and to place her responses in the record.

Again, thank you so much for being here today. And we will proceed to our second panel.

While we are making the change, I would ask unanimous consent that the following letters or statements be inserted in the hearing record: a June 21, 2011, letter from the American Association of Service Coordinators and the National Housing Conference; a June 21, 2011, letter from the Chicago Rehab Network; a June 21, 2011, letter from the Stewards of Affordable Housing for the Future; a National Affordable Housing Management Association written statement on SESA; a June 23, 2011, industry letter in support of SESA; a June 23, 2011, Housing Authority of the County of San Bernardino, California, statement on SESA; a June 23, 2011, National Multi Housing Council/NAA letter; and a statement from a number of housing groups, which are listed.

Thank you. Without objection, it is so ordered.

Welcome to the second panel, and we will start with Mrs. Capito from West Virginia will do the first introduction.

Mrs. CAPITO. Thank you. Thank you, Madam Chairwoman, and thank you for holding this hearing.

I want to welcome my friend Tony Bazzie back to the committee. He has testified before our committee before. Tony is executive director of the Raleigh County Housing Authority, a position which he has held for just a short period of time, as in 31 years.

So I think we have a real expert here. He has seen the highs, the lows, the ups and downs and the all arounds of housing. And he serves his six counties very well. He has also participated with the National Association of Housing and Redevelopment Officials. Tony has been a great source of guidance for me and for those of us in the State and housing issues.

It is always a pleasure to work with you, Tony. And welcome back to the committee.

Chairwoman BIGGERT. Thank you, Mrs. Capito.

Our second panelist is Ms. Linda Couch, senior vice president for Policy for the National Low Income Housing Coalition. Welcome.

Third, is Ms. Roberta Graham, vice president, housing choice voucher services, Quadel Consulting. Welcome.

Fourth, Mr. Tony Gunsolley, president and CEO, Housing Authority of the City of Houston, on behalf of the Council of Large Public Housing Authorities.

Fifth, Mr. P. Curtis Hiebert, chief executive officer, Keene Housing Authority, on behalf of the Public Housing Authorities Directors Association. Welcome.

Sixth, Mr. Alex Sanchez, executive director, Housing Authority of Santa Clara, California, on behalf of the National Leased Housing Association.

And last, but not least, Ms. Barbara Sard, vice president for housing policy, Center on Budget and Policy Priorities.

Welcome, all of you. And as you know, each of you will have 5 minutes to give your opening statement. All written statements will be included in the record.

And we will start with Mr. Bazzie for 5 minutes. You are recognized.

STATEMENT OF TONY G. BAZZIE, EXECUTIVE DIRECTOR, RALEIGH COUNTY HOUSING AUTHORITY, BECKLEY, WEST VIRGINIA, ON BEHALF OF THE NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS (NAHRO)

Mr. BAZZIE. Chairwoman Biggert, Ranking Member Gutierrez, and members of the subcommittee, my name is Tony Bazzie, and I am the executive director of the Raleigh County Housing Authority in Beckley, West Virginia. My agency assists nearly 1,300 families in a 6-county area in southern and central West Virginia.

I am here today representing the National Association of Housing and Redevelopment Officials, one of the oldest and largest housing advocacy organizations. We are pleased to be called upon again to express our views. I was honored to be asked by Representative Capito, the distinguished member of this committee, to testify on the same subject in 2009.

Speaking for housing authorities in West Virginia, and on behalf of my colleagues nationwide, the need to support responsible reform of the Section 8 Voucher Program is even more important today than it was when I was here 2 years ago. The work of my authority and others and our efforts to support those in need have been greatly impacted by recent spending reductions.

The net effect of this administrative fee reduction has forced me to lay off 3 of my staff members—which in a housing authority of my size is 25 percent of my staff—which significantly undermines my agency's ability to fulfill the mission of this program, which is to serve very low- and extremely low-income families with housing needs. Simply put, fewer staff means fewer people can be served.

NAHRO proposes using all existing funding sources to help stabilize the voucher program. Taking into account an estimated proration in administrative fees of 83 percent in calendar year 2011, and resultant staff layoffs that are occurring across the country, NAHRO is estimating that approximately 87,000 fewer families will be served by the voucher program in the next 12 months if the current situation remains unchanged, which would be the largest drop in voucher-assisted families in the shortest period of time in the program's history.

I realize the funding issues are not within the purview of this subcommittee, but authorizing responsible legislation to reduce the administrative cost and lessen the administrative burdens in the voucher program can prevent fewer of these families from losing their vouchers in today's appropriations environment. It is crucial to act on a reform bill now.

In response to some of the questions in your invitation letter, with the permission of the Chair, I ask that the results of NAHRO's administrative fee survey as well as the chart showing the historic relationship between admin fee prorations and national voucher lease up rates be entered into the record of this hearing.

Chairwoman BIGGERT. Without objection, it is so ordered.

Mr. BAZZIE. Thank you.

Changes with respect to property inspections, utility allowances, and rent calculation are contained in the draft you are now considering, as they were in previous drafts of SEVRA. In this regard, I want to thank you again, Representative Capito, for your many efforts to improve the voucher program through reforms.

Specifically a Capito amendment to the SEVRA bill approved by the Financial Services Committee in the previous Congress required HUD to share utility costs with housing authorities, and allow them to use these estimated utility costs as standard allowances, a greatly time-consuming effort. I hope this or similar language that is adapted to current circumstances will again be included in any bill you adopt.

In my written statement, I refer to a NAHRO-supported compromise version of SEVRA dated December 1, 2010, and I have attached our support letter to my written statement. That bill, while not perfect, accomplished much in the way of reform, including a provision authorizing a responsible renewal funding formula.

My written testimony highlights a number of other provisions in the December bill, including the modification of income targeting for extremely low-income households, a provision which gives hous-

ing authorities the option to conduct inspections every 2 years rather than annually, and the option to commence a lease and contract following an initial inspection.

Given the support for that bill at that time, NAHRO strongly encourages the subcommittee to approve language that reads as much as possible like the December 2010 version of SEVRA. Having said that, we applaud you for developing a discussion draft which promotes reforms, including the restoration of maximized leasing and keeps in place much of what we found positive in the December version of SEVRA.

NAHRO is, however, deeply concerned that the discussion draft eliminates comprehensive language to stabilize the voucher renewal funding formula, which was found in the December bill and in previous SEVRA provisions. It is important that comprehensive changes to the funding formula be included going forward in order to bring stability to a program that has been extremely difficult to manage due to the uncertainty of annual appropriations.

The discussion draft you are now considering contains many provisions NAHRO could support, including, but not limited to the chairwoman's own FSS legislation which we know, Chairwoman Biggert, you care about deeply.

We stand ready to work with you to alleviate any differences we may have, and perfect that which we can agree upon in SESA. We also hope you will work with us to encourage any and all regulatory reforms that HUD can do now to maximize program efficiency. Thank you.

[The prepared statement of Mr. Bazzie can be found on page 40 of the appendix.]

Chairwoman BIGGERT. I thank the witness.

And Ms. Couch, you are recognized for 5 minutes.

STATEMENT OF LINDA COUCH, SENIOR VICE PRESIDENT FOR POLICY, THE NATIONAL LOW INCOME HOUSING COALITION (NLIHC), WASHINGTON, D.C.

Ms. COUCH. Thank you. I would like to thank Chairwoman Biggert, Ranking Member Gutierrez, and the other members of the subcommittee and the full committee for the opportunity to testify on the discussion draft of the Section 8 Savings Act. We greatly appreciate your work to improve HUD's housing program.

The National Low Income Housing Coalition is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes. The Coalition strongly supports the Housing Choice Voucher Program because of the stability it provides to households and to communities.

The voucher program's income targeting standards make it the most deeply targeted of HUD's large housing assistance program. Vouchers are needed in places like Illinois, where 76 percent of extremely low-income renter households pay more than half of their incomes on housing. That is where the need is, and that is where the gap of homes is.

Nationally, when affordable and available units are compared to the number of extremely low-income households, the Coalition finds a shortage of six million homes. In Illinois, for every 100 ex-

tremely low-income households, there are only 32 affordable and available homes.

Simply put, if our programs are not targeting extremely low-income households, they are not meeting our community's pervasive and most acute housing affordability problems. Indeed, the Coalition believes that a significant expansion of the voucher program and capitalization of the National Housing Trust Fund, both of which are targeted to the lowest-income households, are the primary vehicles through which the United States can and will end homelessness.

You asked about areas that could be streamlined while maintaining proper program oversight. We are very interested in achieving this critical balance. The Coalition believes that there is a point at which reducing administrative tasks will undermine our understanding of and appreciation for the programs, as well as Congress' and HUD's ability to exercise their oversight.

We applaud the draft bill's streamlining and simplification of rent settings, and its encouragement of increased earned income while maintaining the core benefits of these programs to assisted households, rent set to the Brooke Standard, which ensures each household's rent is always affordable.

While the draft bill's language on leasing rates and reserves is helpful, the Coalition urges the subcommittee to codify that voucher renewal funding will be based on leasing and cost data from the previous calendar year with adjustments, rather than rely on annual appropriations bills for such directives.

The Coalition also thinks it would be useful to agencies and tenants if HUD had the authority to offset and reallocate excess reserves as it saw fit. The history of SESA is based on the need for a predictable and sufficient funding allocation, and adding such provisions would help SESA achieve these longstanding goals.

The Coalition hopes that additional provisions to support the project-based vouchers will also be added, including authorizing an additional 5 percent of vouchers are vouchers fund for project basing and units housing homeless families, for supportive housing for persons of disabilities or for units in tight rental markets.

We also very much appreciate that the discussion draft does not expand the Moving to Work demonstration to additional agencies or make it permanent.

To this end, we could consider the rent policy demonstration outlined in the draft bill if it included certain parameters. These might include a strong evaluation component, prohibiting rent burdens that are de facto time limits, and limiting the demonstration to the smallest number of families and for the shortest timeframe necessary to test various rent structures.

What impact has the Moving to Work Program had on participating public housing authorities? To be brief, we do not know. For now, we have anecdotal reports based on anecdotal reports.

HUD's recent report on Moving to Work was criticized sharply by the Low Income Housing Coalition. Before we expand the Moving to Work demonstration, we must learn its lessons.

Notable for this hearing, all of the rent simplification measures touted in this report as used by MTW agencies would be achieved for all PHAs for the passage of SESA. These include reducing rent

recertification frequency for fixed-income households, eliminating or simplifying the earned income disregard, ignoring some or all of the asset income, and replacing medical deductions with a standard deduction.

We support the SESA draft, and we look forward to working with you on it. Thank you for considering our comments.

[The prepared statement of Ms. Couch can be found on page 53 of the appendix.]

Chairwoman BIGGERT. Thank you very much.

Ms. Graham, you are recognized for 5 minutes.

STATEMENT OF ROBERTA GRAHAM, VICE PRESIDENT, HOUSING CHOICE VOUCHER SERVICES, QUADEL CONSULTING, WASHINGTON, D.C.

Ms. GRAHAM. Thank you. Chairwoman Biggert, Ranking Member Gutierrez, and other distinguished members of the panel, I am Roberta Graham, vice president for housing choice voucher services at Quadel Consulting Corporation.

Quadel is a private company that for over 30 years has provided private management, consulting, and training to the housing community. Since 1984, Quadel has managed front-line operations for 29 PHA programs. We currently operate five Housing Choice Voucher Programs and conduct training on the voucher program throughout the country.

I appreciate the opportunity to testify today, and thank you for taking a thorough look at the Housing Choice Voucher Program and how to simplify burdensome and complex statutory and regulatory requirements.

This year, administrative fees, the funding used to manage and operate the voucher program, were cut by Congress. And HUD is determined that administrative fees will be funded at an 83 percent proration for the year.

The effects of this cut are compounded by the fact that fees were funded at a much higher proration for the first 5 months of 2011, when an appropriations bill was not yet in place. This means that for the remainder of Fiscal Year 2011 administrative fees will be significantly lower than anticipated.

In light of significant cuts in administrative fees and the downward pressure on domestic discretionary funding, regulatory relief is now needed to ensure that the voucher program can be effectively operated.

Chairwoman Biggert, we applaud your efforts to streamline this program and the intent of your legislation, the Section 8 Savings Act, or SESA. And we look forward to working with you to ensure that your legislation achieves your objectives.

In my written testimony, I detail exact procedures and administrative requirements in many voucher programs functions. In this statement, I will focus on our recommendations in the areas that are most burdensome.

Thirty-five percent of the administrative fees in our program are spent on income reexaminations, the most expensive of any function. An analysis of 2 of our sites shows that almost 30 percent of tenants are on a fixed income. Your draft bill would require re-

exams of those on fixed incomes every 3 years, a great improvement to the current annual requirement.

Recalculating and re-verifying the incomes of households with fixed incomes is a significant administrative burden that results in very little change in assistance payments and tenant contribution.

We are concerned that as drafted, some HUD regulatory requirements would still exist that could lessen the desired relief. However, we look forward to working with you on this language.

We urge you to look at moving to a biannual re-exam for all residents unless there is a significant change in family income. We found that only one third of assistance payments change from year-to-year. So for two-thirds of residents, there is no real need to do a full reexamination of income.

At one Quadel-managed site, 12 percent of the administrative fee is spent on interim reexaminations. While SESA attempts to limit the interim reexaminations, we urge the committee to go further and eliminate interims unless there is going to be a significant change in assistance payments.

An analysis of one of our programs shows that 17 percent of our administrative fees are spent on inspections, the second most costly function.

Your draft legislation proposes biannual inspections for all units, and allows for an alternative inspection conducted within the past year to suffice. For the most part, this schedule will result in cost savings to PHAs, and will speed up the process of approving units and encouraging more private landlords to participate in the program.

We recommend tying reduction in inspection frequency to documented history of good quality housing. One proposal would be to inspect all units every 2 years when there are no prior deficiency.

In addition, the determination of income and the verification process is incredibly complex. Income definitions are used for admissions and annual re-exams and interim re-exam functions. The total is nearly 55 percent of program costs.

By streamlining the definitions in the way income is computed, we would find cost savings in all three of these functions. We strongly support the proposed elimination of the requirement to verify and report excluded income.

We urge you to eliminate the need to verify and calculate income from assets, which at two of our sites resulted in less than $1.00 in decreased assistance payments per resident per year.

In addition, we urge you to further streamline the income allowances so that standard and not individualized allowances are used. This would significantly reduce administrative cost.

We also urge the committee to consider simplifying rents by moving to a tiered rent structure based on income. This would do away with the need to calculate adjusted income, assets, and deductions, creating a significant administrative relief. While there is some concern that this would increase rent burdens, we believe this would also decrease rents to some families and incentivize employment.

In closing, we are pleased the committee is seriously looking at voucher administrative reform. At a time when administrative fees are being cut, Congress must also provide regulatory relief.

We look forward to working with you on this issue, and I am happy to answer any questions. Thank you.

[The prepared statement of Ms. Graham can be found on page 62 of the appendix.]

Chairwoman BIGGERT. Thank you very much.

Mr. Gunsolley, you are recognized for 5 minutes.

STATEMENT OF TORY GUNSOLLEY, PRESIDENT/CHIEF EXECUTIVE OFFICER, HOUSING AUTHORITY OF THE CITY OF HOUSTON, TEXAS, ON BEHALF OF THE COUNCIL OF LARGE PUBLIC HOUSING AUTHORITIES (CLPHA)

Mr. GUNSOLLEY. Thank you. Chairwoman Biggert, Ranking Member Gutierrez, and members of the subcommittee, my name is Tory Gunsolley, and I am the president and CEO at the Houston Housing Authority, which serves over 55,000 Houstonians through 16,000 vouchers and 5,300 apartments.

I am testifying today on behalf of the Council of Large Public Housing Authorities, known as CLPHA, whose members manage almost half of the Nation's public housing and administer over one quarter of the Housing Choice Voucher Program. We thank the subcommittee for holding this hearing, and this opportunity to comment on the Section 8 Savings Act of 2011, SESA.

Madam Chairwoman, PHAs are swimming in paperwork. The Houston Housing Authority alone has over 5,600 linear feet of voucher program files. That is over a mile of files. This bill will help reduce that stack.

Before turning to some specifics, generally, CLPHA is pleased that SESA retains much of what is good in SEVRA, eliminates some of what was problematic, and is a good foundation for improving what was needed in SEVRA. In my testimony today, I will touch on the highlights of our written recommendations.

First, we were quite surprised that SESA did not retain the provisions from SEVRA which would have provided predictability and stability in the voucher renewal funding formula. Not knowing the funding formula creates great uncertainty and causes inefficiency systemwide. CLPHA strongly recommends that the SEVRA renewal funding language be included in SESA.

We were pleased that SESA retained protection of some reserve HAP funds. We, of course, prefer that public housing authorities retain 100 percent of the reserves, but we appreciate 6 percent.

However, we would also recommend allowing additional reserves for PHAs that have defined plans which require higher reserve levels to increase leasing. CLPHA has long advocated eliminating the authorized vouchers cap on leasing, and we are pleased that SESA takes a step in that direction.

Project basing vouchers is a great tool that more PHAs and their partners should use. However, the current regulations offer no incentive to do so, and actually creates additional burdens.

We urge including the language from SEVRA which allows PHAs to project base vouchers in their own buildings without going through a competitive process. Also, increasing the percentage and the number of vouchers that may be project based in individual buildings would be helpful.

We also urge restoring the site-based waiting list for project based projects. Currently, PHAs must send out thousands of letters and spend hundreds of hours of staff time that is an unnecessary administrative burden.

Turning to administrative fees, a name that is somewhat pedestrian and unimaginative, and certainly not fitting of the role it plays in the voucher program. A detailed listing of the many activities funded by the fees are listed in my written testimony. But suffice it to say, without admin fees the voucher program would cease to exist.

In Houston, our admin fees are used to perform more than 35,000 inspections, 20,000 reviews of family income, and 25,000 rent calculations annually. Changing the frequency and length of those items will allow us to be more efficient as these are some of the most staff intensive and costly activities paid for by admin fees.

SESA makes good progress in reducing the administrative burdens with its increase in the asset cap, and less frequent inspections and interim certification. It is worth noting that these similar innovations were started and tested for years at MTW agencies.

These MTW agencies get to ask themselves questions like, what are the most profound needs in my community and how can we address them? Instead of asking themselves, what do we need to do to be a high performer on CMAP?

This fundamental shift in thinking allows MTW agencies to solve problems more efficiently and rapidly than most non-MTW agencies could even imagine. I would love to have MTW in Houston. While SEVRA included an expansion of MTW, we are hopeful that as SESA develops, a path for the expansion of MTW will be included.

CLPHA also supports converting public housing to project-based vouchers or contracts. While not the subject of today's hearing, we believe that a conversion option with a loan guarantee like FHA could be a way to maintain long-term use restriction on the property. And in the rare but unfortunate event of a mortgage default, prevent the loss of this important public housing asset.

In closing, while we work to improve the Housing Choice Voucher Program, there is still an urgent need to preserve and increase the supply of actual housing units specifically dedicated to those most in need. We look forward to working with you and HUD on making additional improvements to the Housing Choice Voucher Program and perfecting this legislation. Thank you for the opportunity to testify.

[The prepared statement of Mr. Gunsolley can be found on page 73 of the appendix.]

Chairwoman BIGGERT. Thank you very much.

I would now recognize Mr. Hiebert for 5 minutes.

STATEMENT OF P. CURTIS HIEBERT, CHIEF EXECUTIVE OFFICER, KEENE, NEW HAMPSHIRE HOUSING AUTHORITY, ON BEHALF OF THE PUBLIC HOUSING AUTHORITIES DIRECTORS ASSOCIATION (PHADA)

Mr. HIEBERT. Thank you very much. Chairwoman Biggert, Ranking Member Gutierez, and subcommittee members, I appreciate this opportunity to offer testimony concerning the Section 8 Sav-

ings Act of 2011 on behalf of the Public Housing Authorities Directors Association. I am Curt Hiebert, PHADA's immediate past president and the chief executive officer of the Keene, New Hampshire Housing Authority.

PHADA was founded in 1979 and represents over 1,900 housing authority chief administrative officers. A significant proportion of PHADA members administer small and medium-sized agencies that operate a mixture of assisted housing programs.

Some operate public housing, some the Housing Choice Voucher Program, and many operate both programs. And a number of members operate assisted housing financed with HOME, CDBG, LIHTC, Department of Agriculture, and other non-Federal support.

The Keene Housing Authority was one of the original 24 Moving to Work demonstration sites, and continues to operate its entire public housing and Section 8 programs under that program. MTW has made dramatic differences in our community. Our participation in MTW has allowed us, our residents and our community together, to develop a program that provides for the neediest of our region, providing stability to those on fixed incomes and a system that encourages families to move toward self-reliance.

In 1999, 47 percent of the heads of household at the KHA were working full time. Last year, 64 percent were working full time. In that same period of time, average income for residents' families housing increased by 30 percent.

In part, this was because our system does not discourage increases in income, but actually rewards it. Our system of rent steps does not penalize rises in income, but instead our program encourages the acquisition of job skills, education, financial competency, and ambition. At the same time, though, the neediest of our programs and our residents are protected by our safety net provisions.

Our program will not work everywhere. But the key is that by utilizing the flexibility contained in MTW, we were able to make a program that is good for Keene, New Hampshire, our residents, and our stakeholders.

Concerning SESA, as with the past Section 8 bills, we believe that SESA includes elements helpful to housing authorities, but also includes some problematic elements. However, the change in the budget environment that has occurred in the past few years, we believe that new fiscal constraints radically shift the issues authorizing legislation such as SESA must address.

Also, we urge that expectations that any cost savings will be extensive or immediate must be curbed. It will take a lot of time for these things to take effect.

While deregulation, local flexibility and reductions in administrative overhead have been attractive alternatives in the past, they have become almost necessities. They directly affect the preservation of the inventory of deeply assisted housing programs, as well as the survival of and maintenance of capacities at local housing authorities.

Federal interests in maintaining affordable housing initiatives, initiatives in States and localities drives PHADA's efforts to simplify and reform housing programs with an eye to cost reduction and revenue generation. In addition to elements of SESA, PHADA urges the committee to consider PHADA's and NAHRO's Small

Housing Authority Reform Proposal called SHARP, an expansion of the Moving to Work demonstration for inclusion in authorizing legislation.

PHADA supports discretion for housing authorities to be in short-term housing assistance while owners complete repairs to non-life-threatening HQS deficiencies. We also support a number of proposed provisions that offer housing authorities opportunities to reduce administrative overhead and deliver housing assistance more efficiently and effectively.

There were also some questions posed by the subcommittee regarding, for instance, the use of administrative fees to operate the voucher program. The Housing Choice Voucher Program is administratively very complex. Programs, program sponsors and the jurisdictions they serve are diverse, and their uses of administrative fees for program operations reflect this complexity and diversity.

And we applaud HUD's efforts to engage associates to conduct a time and motion study. That should help provide us all with some information.

Moving to Work has many impacts on all of us, and we really believe that opportunities such as the Moving to Work actions in Chicago, where they use their MTW discretion to renovate or replace over 17,000 public housing units, should be applauded.

And we would also encourage, in closing, that speaking personally and on behalf of PHADA, we thank you for remaining engaged in reforming assisted housing programs. This is a complex task in the best of times.

Reforms that include simplification, deregulation, and local flexibility have become critical to agencies that may experience severe funding constraints in the immediate future. Thank you very much for including us in the discussion.

[The prepared statement of Mr. Hiebert can be found on page 86 of the appendix.]

Chairwoman BIGGERT. Thank you so much.

Mr. Sanchez, you are recognized for 5 minutes.

STATEMENT OF ALEX SANCHEZ, EXECUTIVE DIRECTOR, HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA, CALIFORNIA, ON BEHALF OF THE NATIONAL LEASED HOUSING ASSOCIATION (NLHA)

Mr. SANCHEZ. Good morning. Chairwoman Biggert, Ranking Member Gutierrez, and distinguished members of the subcommittee, my name is Alex Sanchez, and I am the executive director of the Housing Authority of the County of Santa Clara/Silicon Valley's Housing Services Agency. I am here today on behalf of the National Leased Housing Association as its president-elect.

National Leased Housing's nearly 500 member organizations are primarily involved in the Section 8 housing programs, both project-based and tenant-based, along with the housing tax credit program. And they provide or administer housing for over three million households.

We believe the Section 8 program has been successful in ensuring decent, safe, and affordable housing for low-income families and the elderly. However, as with most government programs, the

longer they are in existence, the more rules and regulations are imposed that are often illogical, imposed at a cost.

Overall, we believe the draft SESA legislation is a serious attempt to further streamline the Section 8 program beyond the reforms achieved in 1990s by the Quality Housing and Work Responsibility Act or QHWRA.

My written statement goes into detail in a review of various provisions of the draft SESA legislation. There are a few items I would like to highlight briefly in my remarks today, including touching on the fact that in addition to running California's third largest Section 8 program with 17,000 vouchers in 13 cities in a county of over 2 million, my agency participates in a Moving to Work demonstration program, and has had good results for streamlining the Section 8 administration.

We are very encouraged by the draft SESA provisions that would streamline the process for calculating income and rent. Such provisions would reduce the administrative burdens on PHAs and participating property owners, while not increasing the rent burden on residents.

National Leased Housing strongly supports SESA provisions that make important reforms to the proper inspection process, including addressing a redundancy that exists in Federal inspection requirements. We also support the ability of PHAs to inspect properties every other year instead of annually.

We are also pleased the SESA discussion draft includes a number of provisions to make the Project-Based Voucher Program more flexible, cost-effective, and responsive to community needs. National Leased Housing's members are deeply involved in the preservation and rehabilitation of the older rental housing stock in the country.

It is important that the scarce tools available to accomplish this preservation are as flexible as possible. To that end, we have made some specific cost-neutral suggestions to streamline the process of converting tenant production and enhance vouchers to project-based assistance.

We applaud the recognition of SESA in the self-sufficiency program that can be brought into other housing programs. A number of our PHA members have run successful programs for years and can share with the committee their successes upon request.

Of course, the downside to the FSS program is that it can only work if there are sufficient social services in the community that can be accessed by the participants, with sufficient resources to hire someone to coordinate them. Too often, these resources are extremely limited.

National Leased Housing has long supported the Moving to Work Program, and the agency I head has been an MTW participating agency for 3½ years. Our agency serves one of the most expensive to live in the country. MTW allows us to make better use of limited Federal funds to meet the unique set of affordable housing needs and circumstances in our community.

MTW has allowed us to dramatically streamline our Section 8 voucher program administration. For example, we conduct tenant re-exams every 2 or 3 years instead of every year, and we conduct housing quality inspections every 3 years instead of annually.

These and other approved administrative efficiencies have translated into staff time savings valued at over $2 million, and other program cost savings of over $800,000 with no detrimental effects on the program and its participants to date.

MTW has enabled us to shift these resources from things like one-size-fits-all annual tenant re-exams to over leasing the housing Section 8 program, providing more staff time to assist tenants and property owners, preserving existing affordable housing, taking advantage of rare opportunities to buy land well below market, collaborating with local governments and service providers to create successful direct voucher referral programs to better serve those who have been chronically homeless, and expanding modest but very effective resident services.

In conclusion, the National Leased Housing Association supports the goals of SESA. We appreciate the opportunity to express our views. And we stand ready to work with the subcommittee on the Section 8 Program and other critical housing issues. Thank you.

[The prepared statement of Mr. Sanchez can be found on page 96 of the appendix.]

Chairwoman BIGGERT. Thank you.

And Ms. Sard, you are recognized for 5 minutes.

STATEMENT OF BARBARA SARD, VICE PRESIDENT FOR HOUSING POLICY, CENTER ON BUDGET AND POLICY PRIORITIES, WASHINGTON, D.C.

Ms. SARD. Thank you. Thank you, Chairwoman Biggert, Ranking Member Gutierrez, and other members of the subcommittee for the opportunity to testify at this important hearing. We commend the subcommittee for moving forward with the Section 8 Savings Act.

Some of the most important SESA provisions would first, simplify rules for tenant rent payments, reducing the number of individualized calculations and recertifications, while continuing to cap rents at 30 percent of the tenant's income. And second, would streamline housing quality inspections to encourage private owners to participate in the program.

You have heard testimony from administrators of the program that these two sections alone will significantly reduce the administrative work for housing authorities and subsidized owners, and make the voucher program more owner-friendly. The Center on Budget and Policy Priorities estimates that these changes will result in several hundreds of millions of dollars of savings over 5 years, critically important at a time when Congress has reduced administrative fees in the voucher program and there is a risk of reduction in public housing operating subsidies.

These and other sections of the bill, according to the Congressional Budget Office, will save more than $700 million over 5 years, primarily by allowing the programs to serve more working poor families. I do not need to explain to you how important it is at this time to enact constructive policy changes that also save money.

We also commend the chairwoman for including in the bill provisions to expand and strengthen the Family Self-Sufficiency Program. The Center wrote a report 10 years ago about how this program is HUD's best-kept secret. And I am afraid that is still the case. We commend you for making it more visible.

You asked at the start of this hearing what the committee could do to enable the programs to serve more families at this time of tight resources. That is the critical question and I commend you for it.

I suggest that in addition to enacting the bill that you have proposed, which is a terrific bill and will stretch dollars, as we have all said, there are two other things that are really important.

The first is to complete the provisions of the bill regarding the voucher renewal funding formula. Doing what authorizers do, and having the full policy in permanent law so that appropriators can just plug in the dollar figure, will create the stability and the incentives that agencies need to use their money most efficiently.

Programs now are using only about 92 percent of their authorized vouchers. Before the renewal funding policy began to change every year they were using 97 percent. That is a difference of more than 100,000 vouchers. Creating a stable policy and giving HUD the ability to offset excess reserves in allocating money will stretch any amount of money the appropriators provide most effectively.

The second thing I submit that the committee needs to do is to not make the Moving to Work demonstration permanent or expand it. And there are really two reasons for this.

The first is, you have already heard from the witnesses today the differences of opinion on this controversial issue. The best thing about the draft bill in addition to the substance of it is that it is a consensus bill. Everyone believes that the provisions in the bill make sense and should be enacted.

We cannot afford to jeopardize enactment of this bill with political controversy. Some members believe MTW expansion is important. Others disagree. Let us consider it as a separate bill.

The second concern we submit about MTW is that our analysis suggests that it has reduced, not expanded, the number of families served. For every $100,000 that agencies receive for their public housing and voucher programs, ordinary agencies serve nearly 15 households while MTW agencies serve only 9 households. That is a huge difference in a time of constrained resources, and only a slight amount of the difference is due to the difference in housing costs in these communities.

So we thank you, and we urge your speedy action on this bill.

[The prepared statement of Ms. Sard can be found on page 103 of the appendix.]

Chairwoman BIGGERT. Thank you.

Now, we will turn to the questions, which each of us will ask within 5 minutes. And I will yield myself 5 minutes.

And I guess I have to ask this question. In 2002, Section 8 programs consumed 46 percent of HUD's annual budget. And by 2011, it has consumed 61 percent.

Are you all comfortable with the increasing portion of the overall HUD budget the Housing Choice Voucher consumes? Or do you have any ideas for those other than what we have already—that has been talked about?

And does such an increase suggest a design flaw within the program? Or do you know what other reasons would be?

And further, what should Congress do to address the waiting list?

Ms. SARD. If I may—

Chairwoman BIGGERT. Sure.

Ms. SARD. —jump in on this because I think that the statistics, while true about budget authority, also create a misimpression. So I wanted to just clarify before answering.

First of all, the statistics involve not only the voucher program, but also the Project-Based Section 8 Program, and together these two programs serve more than three quarters of the families receiving HUD rental assistance. So this is a huge share of the families served, and not disproportionate to the budget.

Second, the use of budget authority figures for these statistics really distorts what is going on, on the ground. If you look instead at outlays, which is what matters for purposes of the deficit, the outlays for the two Section 8 programs have been nearly steady over the last 9 years.

In 2002, outlays were 52 percent of HUD total discretionary spending. The high point was 2004 when the outlays were 57 percent. And in 2010, they were 55 percent.

There are a lot of technical reasons, and we would be happy to explain all those. But the amount of budget authority has a lot to do with when there are rescissions and other technical things.

And I have already answered the other question about what we think you can do to serve more families. So I will leave that—

Chairwoman BIGGERT. Thank you.

Anyone else, any comment on this?

Ms. Couch?

Ms. COUCH. I will chime in on what to do about the waiting list. It is our perspective that the draft bill would really help squeeze every dollar's worth out of the voucher program and Congress' allocation for the voucher program.

And it is our long-term hope that the bill will provide a lot of credibility in the voucher program and stability in the voucher program, and that at some point in the not too distant future, the voucher program in better fiscal times, which must be ahead of us, that we will be able to expand the voucher program.

But if we do not bring these sort of stability mechanisms and credibility to the voucher program now, when we are in those better financial times, will not have the will and the wherewithal to go ahead and expand the voucher program.

Chairwoman BIGGERT. Thank you.

Anyone else care to comment on that?

Mr. Gunsolley?

Mr. GUNSOLLEY. I just cannot emphasize enough how important it is to have that predictability of the funding formula as someone who runs this program. It is—you cannot spend 97 or 99 percent of your money because the formula changes 6 months through the year. And you have to have much higher reserves than the 6 percent. And so I would definitely—we talked about it, but I would definitely urge its consideration.

Chairwoman BIGGERT. Okay. And while you are up, could you explain why site-based waiting lists are an important tool for a PHA?

Mr. GUNSOLLEY. Sure. It is specifically in relation to the Project-Based Voucher Program. Currently, there are regulations that exist that would require a housing authority if it establishes a Project-

Based Voucher Program to notify everybody on its main list. And every time that there is a preference, you have to mail out letters to everybody on the list.

And so what has happened in the past, I have done these programs and you will have a nonprofit provider who wants to serve the homeless. And that is their only mission in life. And we give them some project-based vouchers. They want a preference for homeless.

My main list does not have a preference for homeless. So now I need to mail out thousands of letters to see is there anybody who is already on the list who may qualify, when the nonprofit provider already has all the clientele that they need.

So it is just a simple regulatory fix that would help make it more efficient.

Chairwoman BIGGERT. Thank you.

And I have time to ask Ms. Graham, I think you have really been so helpful in looking at the cost for the programs and how we can lower those. I appreciate that. Are there any more commonsense reforms that we should consider that you do not think that this bill has considered, or that you have not mentioned?

Ms. GRAHAM. Sorry. I think that those that are in the bill are the most significant in terms of administrative cost. And I think you have hit on them in the draft bill and we have addressed them in our written testimony.

We would be happy to explore additional commonsense options or cost savings in the program with you.

Chairwoman BIGGERT. If you find any, we would appreciate having them. Thank you very much.

And my time has expired.

We will go to the gentleman from Wisconsin, Mr. Duffy, for 5 minutes.

Mr. DUFFY. Thank you, Madam Chairwoman.

As we all sit here today, I think there is an agreement that this is a program that helps folks who are in need, and it is wonderful that we have a safety net in America which will help folks who fall upon hard times. We obviously want to streamline the program to make sure, again, we can squeeze every dollar out to help folks who are in need.

But Ms. Couch, just to be clear, did I hear you say that if the economy recovers, we are going to hopefully have more money for the program to provide more vouchers?

Ms. COUCH. It is the Coalition's hope that the Nation focuses and puts resources toward affordable housing assistance as long as we have homelessness in the United States. HUD released a report 2 weeks ago that showed more than 600,000 families remain homeless in the United States.

And so until that ends, and until households are paying affordable amounts of their income towards housing costs, we certainly do believe that there should be some Federal investment in affordable housing programs. We see the voucher program working well today as helping the families today. But until we end homelessness in this country, we will fight for—

Mr. DUFFY. And I guess for me, I agree with you, HUD should have a safety net program. But I also think that as an economy ex-

pands, what we really want in this country is opportunity. We want to have a country where folks can go out and get a job.

Ms. COUCH. We agree. We would absolutely agree. So there are a couple of ways to attack the housing affordability shortage.

One is to increase people's incomes enough and have people's incomes be enough to match the rents in the private market. And if that was the avenue that was going to work the best, then that would be the avenue we were taking.

Right now—

Mr. DUFFY. Would you—

Ms. COUCH. —rents are completely out of whack.

Mr. DUFFY. —agree that we should have some form of a work requirement or an education requirement in the program to make sure that people are actually aggressively working to better themselves so they can get off public assistance and contribute to society?

Ms. COUCH. I would not say that the people on the voucher program or other HUD programs are not working. I would say that when they are working, and they do work, well the majority of them are actually elderly and disabled people. But for those who are work- eligible, it is that work does not pay enough. There is a wide gap between the minimum rent in Wisconsin and the $15 it costs an hour—

Mr. DUFFY. Right. So you would be okay, though, if we had a work requirement.

Ms. COUCH. No, we would oppose a work requirement.

Mr. DUFFY. Okay. So to be clear, some are working. But those who are not working or seeking work or getting an education, you would be fine if they stay on the program?

Ms. COUCH. This is our Federal housing safety net, and I think that we need parameters for how people live in there. But their ability to get housing assistance should not have to do with whether or not they are working or—

Mr. DUFFY. And I think that is a good point. If it is a safety net, is this a program that we should use as a transition? Because I think we are on the same page. We want to help people out.

Ms. COUCH. Right.

Mr. DUFFY. And we know people fall on hard times. They are our friends, our family members, our neighbors—

Ms. COUCH. Sure.

Mr. DUFFY. —and we want to have a system in place to help them.

Ms. COUCH. Right.

Mr. DUFFY. But is this a safety net that helps with the transition? Or can it be a lifestyle for folks?

Ms. COUCH. The issue right now is that it is not a safety net for very many people. Only one in four households are eligible for HUD housing—

Mr. DUFFY. That was not my question. Are you okay with it being a lifestyle, or a program for transition?

Ms. COUCH. I do not think it is a lifestyle. I think it is a safety net. I think people access it when they need it. And they cycle out of it when they do not need it anymore.

Mr. DUFFY. So would you be okay with a—

Ms. COUCH. The majority—

Mr. DUFFY. —time limit—

Ms. COUCH. —of households—

Mr. DUFFY. —on the program?

Ms. COUCH. Never. No. The majority of households—

Mr. DUFFY. So then it could be a lifestyle program, right?

Ms. COUCH. But it is not. When you look at the data that HUD has on its Web site, the majority of voucher households are in and out of the program within 5 years. And more than 50 percent of the residents are elderly and disabled.

Mr. DUFFY. And if you remove the elderly and the disabled—

Ms. COUCH. Right.

Mr. DUFFY. —because there was a section—

Ms. COUCH. That is right. They are—sorry.

Mr. DUFFY. —and in the language we have a funding issue there.

Ms. COUCH. No, I am talking about the elderly and disabled people on the voucher program. So when you look at the people who participate in the voucher program, about half of them are elderly and disabled. And when you look at the length of stay data, most of them, more than half of them are out of the program within 5 years.

Mr. DUFFY. Excluding the disabled and the elderly—

Ms. COUCH. Right.

Mr. DUFFY. —if you have an able-bodied man or woman—

Ms. COUCH. Right.

Mr. DUFFY. —would you not agree that you could have a time limit on how long they could be on this program? Or that we should have some form of transition, whether it is a requirement to work or get an education?

Ms. COUCH. Right.

Mr. DUFFY. So people do not stay on the programs for a lifetime, and it truly becomes a safety net instead of a lifestyle?

Ms. COUCH. But to what end? If people leave—if people are forced out of the program into a housing market for which there is no housing affordable to them, these are the people who go back on the waiting list, who go into shelters, who become homeless—

Mr. DUFFY. Well—

Ms. COUCH. —who become—

Mr. DUFFY. —we also—

Ms. COUCH. —housing needs—

Mr. DUFFY. —do not you? If you continue to provide things for free and do not incentivize them to transition into the workforce, do we not see them potentially scam these programs not only for their lifetime, but it becomes generational. And that is my concern.

Chairwoman BIGGERT. The gentleman's time has expired.

The gentleman from Texas, Mr. Green, is recognized for 5 minutes.

Mr. GREEN. Thank you, Madam Chairwoman.

I thank the witnesses, again, for their testimony. And while I would like to visit with all the witnesses, Mr. Gunsolley is from Houston, and I represent a good many of the persons that he will be serving.

I would like to compliment you and congratulate you on receiving your new station in life effective April 18th, I believe. And you

have mentioned some things that we would like to work with you on. So my office will be contacting you about some of the issues that you have raised.

I would like to help everybody on the panel, but since he happens to be in an area that I serve, I am extending this invitation to him to work with him closely on some of these issues.

Let us talk for a moment about project-based vouchers. Would you again give some additional indication as to why it is good to have flexibility with the project-based vouchers versus the individual vouchers?

Mr. GUNSOLLEY. Sure. Thank you. And I look forward to working with you as well.

Project-based vouchers really allow other groups and the housing authority to leverage the value of the voucher. Because you can commit it for 15 years, you can take that to a bank and turn it into capital money to be able to build new housing or substantially rehabilitate housing.

I have used it in a number of different locations, and have worked closely with the nonprofit communities to do supportive housing, homeless housing, different niche groups that they are providing services, but the people also need a home. And so by doing the project-based voucher, it gives them kind of the missing piece.

The SEVRA bill had some more freedoms that made it a little bit easier for this program to run. In the current regulations, it is a difficult program to administer, and the housing authority does not receive any additional administrative fees to do it. So a lot of housing authorities do not do it because they are not incentivized to do so.

Mr. GREEN. And do you have some language that you have had an opportunity to review that you would like to share with us? You can share it by way of my office.

Mr. GUNSOLLEY. I certainly could. The old SEVRA language also had many good improvements in it. But I will send you something.

Mr. GREEN. Are there others who are in accord with this gentleman? If so, would you raise your hands, just so that I can, for the record, see how many people are in accord with—it looks—would you raise your hands a little higher? Sorry to do this in such an elementary way. One, two, three, it looks like everybody is.

So let us let the record reflect—unless I am mistaken. If someone is not, perhaps I should ask you to raise your hand. Okay. Let us let the record reflect that everyone seems to be in agreement that we can improve the language.

And now, I will go to a lady who is asking that I give her some consideration. And I do not have my list before me. Is this going to be Ms. Sanchez?

Yes, ma'am. Would you pull your microphone closer? Yes, ma'am?

Ms. SARD. My name is Barbara Sard.

Mr. GREEN. Okay. Ms. Sard. You wanted to give a response?

Ms. SARD. I wanted to add to what Mr. Gunsolley said, that particularly in the current soft real estate market, housing authorities could use the project-based vouchers strategy to lock in the use of vouchers at properties at lower rents. And so it actually is one of the few tools available in a market-based program to reduce costs.

After all, the vouchers depend on private landlords being willing to rent. But by making a long-term deal, as an agency can, they actually can both lock in desirable locations for voucher users, and potentially lower rents.

As the market recovers, the rents would not have to keep pace because there would be this long-term contract. So it would be a very savvy strategy and it is important to make it more useful now for housing authorities.

Mr. GREEN. The advocacy agencies seem to be in agreement with this. Am I correct?

Would you like to give a comment, ma'am? And I apologize for not calling your names. My vision is not such that I can read them from this angle.

Ms. COUCH. I can barely see my paper. The Low Income Housing Coalition supports adding back in provisions from earlier SEVRA drafts that would expand housing authorities' ability to project-based vouchers. The draft SESA bill would allow housing authorities to extend the project-based voucher contract from the current 15 years to 20 years.

But earlier drafts of SEVRA, including the December draft, had several other provisions, including site-based waiting lists and this bump up for—a small bump up for people who—serving people who are homeless, people with disabilities in tight rental markets. All of which the Low Income Housing Coalition would support including.

Mr. GREEN. I thank all of you. And I would like to work with you to try to improve the language. There are no assurances that can be given, but we can say to you that we are willing to work with you to try to improve the language.

Madam Chairwoman, I thank you for the opportunity to be heard this morning. And I will yield back the balance of my time.

Chairwoman BIGGERT. Thank you.

I think I have just a couple of quick questions. And if you both do or do not, then I will proceed.

Mr. GREEN. I obviously yield to the Chair.

Chairwoman BIGGERT. Okay.

Oh. I am sorry, Mr. Cleaver. You are recognized for 5 minutes.

Mr. CLEAVER. Thank you.

I regret that the gentleman from Wisconsin left. I was trying to get his attention to remain in some way because I would like to have a colloquy with him.

I am not sure how appropriate or significant it is to the legislation. But I am not sure the legislation deals with the worthiness or unworthiness of tenants. I am not sure. I missed that part if it is in here.

And so, I think we have to disagree and question legislation. And that is why we have two parties, the Majority and the Minority parties. If we all thought alike, one of us would be unnecessary.

So I think this is healthy and good debate. And our Chair happens to be one of the people who is most civil and bipartisan in how things are done. And I appreciate her, even in the Minority.

My concern is, I lived in public housing. Maybe I am the only one in Congress who has. And I do not know one single family living in public housing who had public housing joy parties. I have never

heard one single family say, "I cannot wait until I can get into public housing."

There may be people who were there, some generational movement. The people in my class, Carla Cloer, Frank Anderson, Tony Nelson, maybe one more. Lou lived in the projects with me. None of them live in the projects today. Just in my class.

None of them live in the projects today. None of them are angry because they do not live in the projects today. And so I think somehow there is some kind of misconception.

We are talking about people who would not otherwise have shelter. And are there some people who do bad things in public housing? Yes. There are some people who do bad things in Beverly Hills.

And so I just felt the need to—I would like for my colleague not to operate under the assumption that people are standing in line trying to get into public housing because they just want to be there. They are standing in line because there are not enough vouchers. They are standing in line because it is the only place they can go.

Now, I could call out names. I would not do it because I do not know whether this is on C–SPAN or not, of people who live in public housing who, because of their own issues, are never going to be able to live on their own. And when you have the deinstitutionalization that we are having with State hospitals, you are going to find more and more people on the street.

But it is pointless to deliver this sermon to the deacon board. So, I apologize. But it was cathartic; I had to do it.

But this bill does have some cost savings to become relevant—

Chairwoman BIGGERT. If the gentleman would yield for a moment, I think that was very appropriate for you to say that. Thank you.

Mr. CLEAVER. Thank you.

Chairwoman BIGGERT. You may continue.

Mr. CLEAVER. The cost savings that are in this bill, and administrative savings, and it deals—and the reason we are having that is because of a rent simplification inspection and streamlining and other provisions of the bill. Do any or all of you agree that there are some cost savings in the legislation?

VOICES. Yes.

Mr. CLEAVER. And if somebody does not, you could help me see there is none.

Ms. Graham?

Ms. GRAHAM. I would agree there are definitely cost savings in this bill. Our recommendations would be given the downward pressure on funding that additional cost savings measures be implemented. But there are definitely cost savings in this bill.

Mr. CLEAVER. Mr. Gunsolley?

Mr. GUNSOLLEY. I was just going to reiterate and expand on Ms. Graham's point that there are still regulations in place that may hamper the full effectiveness of some of these changes.

Just because we might move to a biannual or a tri-annual, annual income exam does not mean I still have to meet with the person every year for other reasons. And so, I just would caution a rush to cut our administrative fees prospectively.

Mr. CLEAVER. Your statement actually confirms what I was saying about the cost savings. And I hate that that would take place. But as you know, the atmosphere we are in up here is different.

I do have other statements, Madam Chairwoman, but I appreciate the opportunity. I know I went over, but thank you very kindly.

Chairwoman BIGGERT. Thank you. And the gentleman yields back.

I just have a couple of quick questions.

Mr. Bazzie, you applauded Chairwoman Capito for her work on the utility allowances section of the discussion draft before us today. And she worked on the SEVRA last Congress. Can you explain why this language is helpful to program administrators such as yourself?

Mr. BAZZIE. Sure. The amendment that Mrs. Capito successfully got through last time allows HUD to provide housing authorities with utility information that they apparently must use themselves to determine fair market rents throughout the country.

Housing authorities such as mine operating in a multi-county area probably have to deal with over 100 different utility companies when you consider public service districts and small municipal water companies. To try to gather all that information on consumption, rates, apply it to four different types of structures such as single family, apartments, mobile homes, semi-detached, it is an arduous task to get, probably a good solid 2 weeks of work just to gather the information.

And we feel like if HUD has this utility information available, to please provide it to us. Let us use what probably is more current and accurate information than what we gather that changes continuously.

Chairwoman BIGGERT. Thank you.

And then Mr. Hiebert, the PHAs are responsible for approving unit rents under the voucher program based on reasonable rents in the area. It might be hard to know what a reasonable rent is right now with the housing market. But in your experience, are the rents generally reflective of the market? Are they too low or too high?

Mr. HIEBERT. That would really depend on the area. And that really depends on the fair market rent in the particular district. It may differ, as a matter of fact, from community to community. And so, that is difficult to say.

They will be—and our community happens to be fairly reasonable. The fair market rent adequately reflects the 40th percentile in our community. But I cannot speak for the entire country. There is a wide difference from region to region.

Chairwoman BIGGERT. Thank you.

Ms. Sard?

Ms. SARD. I probably should resist this temptation, but given your question, I wanted to suggest that one thing that was in an earlier version of the bill that was taken out would provide an objective test of whether agencies are making the right decisions about determining that rents are reasonable.

The current policy is that agencies have to have a procedure and the quality control report looks at whether they follow their proce-

dure. It does not actually look at the results, are the rents reasonable?

And so I think one important change that HUD could make for both the voucher program and the project-based program is to use current evidence to come up with national recommendations about what is a good, sound policy to follow for determining rent reasonableness. And then hopefully, future committees would not have to come back to this question because there would actually be objective evidence.

Chairwoman BIGGERT. Thank you.

Mr. Bazzie, would you like to respond to that?

Mr. BAZZIE. No. I just wanted to clarify my answer to your first question regarding the Capito amendment, regarding the allowances. That amendment did ask HUD to provide this information to housing authorities.

I have been informed that HUD has since indicated that is not information that they do have available. So perhaps this committee can in some way determine if there is a better methodology that can be used if HUD in fact does not have this available.

Chairwoman BIGGERT. Okay. Thank you for that clarification.

Mr. Sherman, do you have a question?

Mr. SHERMAN. Yes. I would like to talk about manufactured housing for a bit. What are the rules on using the voucher for manufactured housing? And what should they be?

Ms. SARD. One of the changes that Congress made in 1998 was to change the policy that applies to the use of vouchers in manufactured housing or mobile homes.

Since 1998, the voucher subsidy can only pay for helping someone afford to rent the land on which a mobile home sits if they are buying the mobile home through a commercial loan. And that is the most common practice that you are paying basically a consumer loan for the mobile home, but renting the land.

And the subsidy is limited to 40 percent of what would otherwise be available. There had been a policy in earlier versions of SEVRA that would treat that kind of transaction, paying consumer loans to buy the home and renting the land, the same as any other rental, and apply the standard FMR and payment standard to it.

Our understanding is that policy change is particularly important in the Congressman's district in California, as well as in places like Vermont and others. It will expand the supply of affordable housing that can be used with vouchers. My testimony explains this in more detail, and states our support for this change.

Mr. SHERMAN. But if somebody—if a landlord owns the mobile home and wants to rent it, there is a dramatic difference in this program between—I have a voucher. I have to decide where to live. And the voucher is good for brick and mortar housing, but is not good for—

Ms. SARD. So let me clarify.

Mr. SHERMAN. Yes.

Ms. SARD. If a landlord owns the mobile home and the land—

Mr. SHERMAN. Right.

Ms. SARD. —and rents the whole thing—

Mr. SHERMAN. Right.

Ms. SARD. —the package, you can use the voucher there.

Mr. SHERMAN. Okay. That was—

Ms. SARD. That works.

Mr. SHERMAN. You gave me the sophisticated answer to my initially simple question.

Ms. SARD. Right.

Mr. SHERMAN. I yield back. Thank you.

Chairwoman BIGGERT. The gentleman has yielded back.

Mr. Cleaver, do you have a question? No?

Okay. With that, let me thank the witnesses, and thank you for the written testimony. You have all been very thorough. We really appreciate it. And it has been very helpful for us as far as the draft legislation.

And I would say that the Chair notes that some members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for members to submit their written questions to these witnesses and to place their responses in the record.

I very much appreciate you all being here. It has been a good hearing.

And with that, this hearing is adjourned.

[Whereupon, at 11:27 a.m., the hearing was adjourned.]

A P P E N D I X

June 23, 2011

Testimony of Tony Bazzie
Executive Director
Raleigh County Housing Authority
Beckley, West Virginia

On Behalf of the National Association of Housing and Redevelopment Officials (NAHRO)

June 23, 2011

Chairwoman Biggert, Ranking Member Gutierrez, members of the Subcommittee on Insurance, Housing and Community Opportunity, my name is Tony Bazzie. I am the Executive Director of the Raleigh County Housing Authority in Beckley, West Virginia. My agency assists nearly 1,300 families in a six-county area in southern and central West Virginia. For many years I have served in leadership positions with the West Virginia Association of Housing Agencies, a group of 34 public housing authorities that assist approximately 15,000 families in our state through the Housing Choice Voucher (HCV) program. I am here today proudly representing the National Association of Housing and Redevelopment Authorities (NAHRO), one of the nation's oldest and largest housing advocacy organizations. NAHRO currently represents over 22,000 individual members and over 3,200 housing and redevelopment authorities across the country. It has been a leader in the fight for cost effective legislative reform of the Section 8 voucher program over the past eight years and we are honored to be called upon again to express our views. Speaking for myself, I am particularly pleased to be able to have the opportunity to address the Subcommittee today on the critically important matter of reforming the Section 8 Voucher Program. I was similarly honored to be asked by Representative Capito, a distinguished member of this Committee, to speak on this same subject in June of 2009.

As was the case back in 2009, the need to advance a responsible Section 8 Voucher reform bill is critical. Housing authorities in my state and around the nation are hopeful that this Congress will finally advance reforms and program changes that will ensure the continued viability of the voucher program in their communities.

RESPONSIBLE PROGRAM ADMINISTRATION DURING A PERIOD OF FISCAL RESTRAINT

To begin, I think it is safe to say that this hearing is being held at a time when economic and political considerations affecting the fiscal health of the nation are in more dramatic focus than they were a mere two years ago. Speaking not only for housing authorities in West Virginia but on behalf of my colleagues across the country, I think the need to support responsible reform of the Section 8 voucher program is even more important today than it was in 2009. In my own case, the work of my authority and our own efforts to support those in need of decent, safe, sanitary and affordable housing in Raleigh County have been greatly impacted by spending reductions, which have drastically reduced available funding for the administration of the voucher program. Though the 2011 CR increased Housing Assistance Payment (HAP) dollars, sadly this increase is not as meaningful when you cut administrative fee funding by 8.38%. This reduction in administrative fees resulted in HUD's own estimated calendar year 2011 funding pro-ration of 83% of what is needed by housing authorities to responsibly and cost-effectively administer the voucher program in West Virginia and across the country. The net effect of this reduction has forced me to lay off three of my staff members, which significantly undermines my ability to fulfill the mission of this program to serve low- and very-low-income families in Raleigh County. Simply put, fewer staff means fewer people can be served.

Taking into account an 83% pro-ration in administrative fees and the resultant PHA staff layoffs, NAHRO estimates that approximately 87,352 fewer families will be served by the voucher program nationwide. This is approximately 4% of the over 2.1 million families currently under

lease. Now that may not sound like much, but when you factor in the number of families on waiting lists for voucher and public housing assistance, you can appreciate that a reduction of this magnitude is significant. This would be the largest drop in voucher-assisted families in the shortest period of time in the history of the program. If the combined impact of the Federal Fiscal Year HAP renewal funding formula and directly appropriated HAP dollars is insufficient to renew all families under lease in CY 2010,, then NAHRO estimates that the national voucher lease-up rates could fall to as low as 89 percent over a twelve month period of time (through June 30, 2012). If this occurs, our progress as a nation would be set back to the year 2000, when national voucher lease-up rates were at 89 percent. The percentage gap between ongoing administrative fee pro-rations (83%) and the national lease-up rates that could theoretically be supported (93-95%) is the also widest in the history of the voucher program. Whether in the end,it turns out that exactly 87,352 fewer families would be served over the next 12 months or less, it is certainly clear to us that the current administrative fee funding policy is unsustainable.

With the permission of the Chair, I would ask that the results of NAHRO's administrative fee survey, as well as a one-page chart showing the historic relationship between administrative fee pro-rations at pre-QHWRA fee rates and national voucher lease-up rates, be entered into the record of this hearing. NAHRO is in the process of updating this survey and will provide the results to Congress, HUD and its other program stakeholders.

As I understand it, credible sources are already saying that we may in fact be looking at even greater spending reductions with respect to administrative fees, due to a more limited 302(b) allocation provided to the THUD Subcommittee. Further reductions will put my housing authority in the untenable position of not only serving even fewer low-income households in Raleigh County, but will also put me and my remaining staff under enormous pressure to do more with even less -- which we have done over the last seven years at an average of 90 percent pro-ration -- within the guidelines and framework of the current voucher program. Moving a responsible voucher reform package forward in this Congress is imperative. We have worked in vain to pass a SEVRA bill for nearly seven years. The time for talk is over; the time to act is now! Without immediate action, housing authorities across the country will soon be unable to continue to administer this program.

Today's hearing is a necessary step forward in the effort to bring about desperately-needed changes that will make the voucher program more inviting to landlords, better able to ease current administrative burdens on housing authority staff, and better able to assist low-income families in need of affordable housing. The attempt you have made in a number of provisions within the discussion draft to enable local discretion will, if adopted, provide much-needed flexibility for housing authorities that serve low-income families in varied geographic and economic conditions.

Specifically, there are proposed changes you have put forward that make the voucher program and the delivery of other rental housing assistance more effective and more efficient – including, for instance, language to improve the FSS program. But conspicuously absent from the discussion draft is language, contained in previous iterations of SEVRA, that would create a consistent subsidy structure. These provisions were developed to bring stability to a program that has been extremely difficult to manage due to the uncertainty of annual appropriations for

housing assistance payments and administrative fees. Left uncorrected in the discussion draft, that omission alone will certainly qualify any future support that NAHRO can provide for this version of SEVRA. Before I highlight the results of our analysis of the discussion draft in greater detail, I would like to underscore some common-sense changes (many of which I raised in 2009) that can positively affect the day-to-day operations of the voucher program in an authority like mine. These changes are cost-effective, and will reduce administrative burdens.

REFORM PROVISIONS CENTRAL TO ANY BILL TO BE ADOPTED

Housing Quality Standards Inspections

Presently, housing authority staff advises voucher holders not to move into a rental unit until it passes an initial inspection by a housing authority inspector. Failure to do so may render the family responsible for paying the rent as an unassisted tenant until the unit meets all Housing Quality Standards (HQS). Both NAHRO and my PHA colleagues support legislative changes that would give agencies discretionary authority to begin HUD-funded rental assistance from the date of the initial inspection if there are only minor HQS violations and the rent is deemed to be reasonable. We believe that adequate safeguards are in place to ensure that payments are withheld and assistance is abated 30 days from the date of the initial new unit inspection if the deficiencies are not corrected. We believe that changes such as these would allow families to receive rental assistance and safe and adequate shelter much sooner. We also believe that removing this obstacle (i.e., delaying a housing authority's ability to commence an assisted lease and HAP contract and make rent payments retroactively upon completion and verification of due to minor inspection violations -- not emergency health and safety violations requiring immediate repair) would provide an incentive for more property owners to participate in the program.

Likewise, while it may not be the right solution for all areas, NAHRO continues to support language in the final bill you adopt that would allow PHAs to complete inspections for all of its assisted units every two years. Among other things, this provision will permit PHAs to perform inspections on a geographic basis rather than by tying inspections to each household's anniversary date. In West Virginia, for example, a number of housing authorities administer the voucher program in multiple counties. The average agency in West Virginia serves three counties with an area of 1,200 square miles. My agency administers the HCV Program in six counties with more than 3,350 square miles to cover -- a geographic area larger than the states of Rhode Island and Delaware combined. The annual inspection process is a major program expense when considering staff salaries, gas, vehicle maintenance and postage for mailing notifications and inspection results.

It should also be noted that a large part of the housing stock in my jurisdiction, and throughout the state of West Virginia, is between 50 and 70 years old, and will very likely be reviewed on an annual basis. I would also note that, in many rural areas such as those served by my agency, houses and manufactured homes are not subject to municipal building codes -- HQS is the only standard enforced. Therefore, local discretion to inspect units on a biennial basis is a critically important cost-savings measure that should be included in any final bill you adopt -- especially if it is also understood by residents, advocates and others that many agencies will very likely

continue to inspect many, if not most of their units annually (subject again to the availability of funding).

Additionally, in areas of the country where low-income tax credit or other multi-family properties are inspected by other government agencies, housing authorities should be able to reduce the number of costly inspections they perform annually. With this in mind, NAHRO also supports the inclusion of language that would permit PHAs, at their discretion, to approve a dwelling unit under the program if it passes HQS or state/local code inspections that have requirements meeting or exceeding HQS as determined by other governmental entities.

Income and Rent Determinations

Rent reform and simplified reporting provisions represent a second major area that should be adopted in a voucher reform bill. The complexity of the rent and income calculations presently existing under statute and regulation is daunting, and no doubt underlies many of the problems experienced in the current system with particular respect to payment error. This notwithstanding, NAHRO recognizes that efforts to address rent simplicity, and more particularly "rent reform," are inherently controversial, and we applaud the general effort the Subcommittee has made over the years and in the SESA discussion draft to simplify the rent and income calculation process.

In our opinion, any changes in income and rent provisions in the voucher, public housing and project-based rental assistance programs should encourage employment on the part of assisted households, reduce burdensome reporting requirements placed on families, relieve housing authority staff of many verification and processing tasks, and reduce the amount of improper payments.

Language that authorizes recertifications for fixed-income households every three years, with the application of an annual adjustment factor to their income, would also provide relief to those participants who struggle to attend meetings due to a physical limitation or lack of reliable transportation.

We also support other simplification provisions such as eliminating the requirement to verify and maintain records of excluded income as well as the requirement to use a household's prior years income and support permitting the use of income determinations made by other government agencies.

In addition to reducing the reporting and processing responsibility on low-income households and PHA staff, rent reform changes have the potential of promoting employment among assisted families without the immediate burden of having to pay higher rent. Modest reduction of the interim reporting requirement for decreases and increases in households' earned income, along with the exclusion of the first 10 percent of earned income up to $9,000, should provide greater incentive for some working households. Oftentimes, voucher-assisted low-income households do not have significant changes in their annual incomes year-to-year, but experience frequent changes in their sources of income and hours worked throughout the year.

Households with children should also get the benefit of an increase in the dependent allowance. We are pleased that there has been general support over the years to adjust the threshold for un-reimbursed child care expenses from 10% of gross income to 5% of gross income. This still represents an increase over the current 3% threshold of gross income.

NAHRO also supports language in any final bill that would enable PHAs to implement alternative tenant rent structures in the public housing program, including flat rents based on the rental value of the unit, income-tiered rents, rents based on a percentage of the household's income and the use of existing rent structure. We believe that alternative approaches to income and rent determinations, when carefully reviewed and analyzed for their likely effects, offer important lessons for possible further improvements for all assisted agencies and owners and provide opportunities for outcome-based research for a menu of locally-based options in the future.

With regard to rent and income calculations contained in the discussion draft that are not part of proposed rent demonstration described above, NAHRO members, are concerned about the potential impact that aggregate changes will have on families. Before voucher reform legislation is enacted, it would be helpful to ask HUD to break down its analysis of Section 3 of SESA by household type within each program and at each PHA. We suggest that the language be included in any bill you adopt to authorize the Secretary (or in the alternative, the GAO) to study the impact of these changes on families and report to Congress.

NAHRO members are particularly concerned about two areas of potential hardship related to elderly and disabled families and families with dependent children. In any legislation you adopt, we suggest that you include a provision that authorizes the Secretary, by regulation and for a period not exceeding three years following the date of enactment, to limit increases in rent for elderly or disabled families and for families with dependent children whose rent has increased due to changes in the allowable exclusions for medical expenses or child care expenses.

Finally, we appreciate that the discussion draft demonstrates an understanding that the rent and income provisions contained within it may have an unintended and negative impact on PHAs' rent revenue in the Public Housing Program. For example, the New York City Housing Authority has estimated that its public housing rent revenue from residents would decrease substantially as a result of legislative changes affecting rent and income. Thus, we urge you to include, in any bill you adopt, a provision that would authorize compensation to PHAs through increased Operating Funds.

Funding Policy

As I mentioned earlier, the uncertainty of the renewal funding process in recent years has made the management and operation of the voucher program a difficult challenge. The goal of any housing authority is to maximize its leasing up to its baseline total of authorized vouchers in order to assist as many families as possible. Unfortunately, with constant formula changes over the years and delays in the annual budget process, many agencies have been hesitant to issue vouchers to either keep from over committing their dollars or from leasing beyond their baseline until they know their annual appropriation.

The provision found in the December 1, 2010 version of SEVRA that bases funding on the actual leasing and voucher costs for the prior calendar year and the five-year authorization for renewing leased vouchers provides much-needed stability to properly manage the program. Authorization to retain 6% of annual budget authority in Net Restricted Assets (NRA) is also an important provision any final legislation you adopt.

As I stated earlier, reductions in administrative fee funds have already had an impact on the number of families that PHAs can serve on a national basis. NAHRO is very concerned that further reductions in FY 2012 could lead to more perilous consequences across the country if a remedy cannot be agreed to and implemented in a timely fashion. NAHRO has two proposals, either one of which, could help mitigate decreased administrative fee funding. The first would allow the current HAP and administrative fee accounts to be combined into one account, providing local authorities with the discretion to utilize those dollars with proper safeguards built in. A second approach would allow housing authorities to utilize unused NRA to supplement dwindling administrative fee dollars – again, with proper safeguards built in. NAHRO would welcome the opportunity to discuss these recommendations with you in greater detail as you continue to deliberate the content of this legislation.

NAHRO has also prepared a detailed analysis that addresses voucher funding practices over the years, and has included recommendations that will address problems related to an uneven and unstable funding policy. With your permission, I would ask that that this analysis be made part of the record.

Utility Allowances

One area that I touched on in my 2009 testimony relates to utility allowances. Currently, each housing authority must devise a utility schedule for their jurisdiction. The data is often imprecise and continually changing. For an agency with a large geographic area, such as the agency I head, the task is arduous, time-consuming and costly. Consider, too, all the small public service districts -- West Virginia alone has more than 100 different utility companies that must be contacted for rates and consumption. I would like to thank Representative Capito for introducing and amendment to address this concern, which was passed by the House Financial Services Committee in the previous Congress. The Capito amendment required HUD to share utility costs with housing authorities and allow them, if they so desire, to utilize these estimated utility costs as standard allowances. I sincerely hope that this language is included in any bill that you ultimately adopt.

In this regard, NAHRO submitted comments about utility allowances as part of the notice and comment period concerning the FY 2011 FMRs. In their response, HUD stated that it could not implement Representative Capito's important amendment. HUD's final FY 2011 FMR notice stated:

> "NAHRO requests that HUD publish the utility component of FMRs. HUD cannot do this because, as discussed in the methodology and emphasized here, HUD establishes FMRs based on gross rent data from the census. HUD does not collect utility data to

update the FMRs. The base FMR and the ACS updates are generated using data collected on a gross rent basis. Only the CPI update is split between rent and utilities and this split, as discussed in the methodology, uses the percentage of those who pay for heat (again not utility data) to determine the percentage of utilities in the gross rent to apply the CPI utility index. HUD does not collect utility data and therefore cannot provide it."

If HUD were required to publish utility information each year by state and region from other governmental sources, PHAs would know whether or not utility rates in their respective areas increased by 10 percent or more in order to determine whether or not conducting extensive calculations of utility rates and consumption were warranted. We certainly hope the Subcommittee will address this apparent inconsistency with congressional intent in the final bill you adopt.

We would also note that PHAs should be able to use the utility allowance of a household's authorized voucher size if the bedroom size of their leased unit is greater than their authorized voucher size.

Finally, PHAs should, in our opinion, be allowed to use the lower of their utility companies' "lifeline" rates or the standard commercial rate averages where applicable and be able to average annual utility allowances by bedroom size in lieu of utility allowances by structure type. Alternatively, PHAs should be able to survey their area utility charges and consumption rates, document them, and propose average utility allowances by bedroom size, subject to HUD approval. This would significantly reduce the complexity and calculation errors by PHAs for utility allowances, and greatly simplify the leasing process for voucher holders and property owners to help create less programmatic barriers to low-income assisted households accessing the housing market relative to unassisted households.

LEGISLATIVE VEHICLES THAT MOVE RESPONSIBLE REFORM FORWARD

As I mentioned earlier in my statement, the time for action is now. Last December, the 111th Congress had an opportunity to advance a bill that NAHRO felt made good sense, practically and politically. It was a scaled-down version of SEVRA, to be sure, but it was, never the less, a meaningful and practical bill. On December 9, NAHRO formally endorsed the December 1, 2010 compromise version of SEVRA. A copy of NAHRO's endorsement letter is attached to my written statement. That bill did not contain everything we had hoped for, but it did contain much that we could support, including the following:

- ***Income Targeting*** – The December 1, 2010 version of SEVRA improved income targeting for all extremely low-income applicant households, with particular benefits for families in rural communities and large-size families in metropolitan communities, by using the higher of the Federal Poverty level or extremely-low income thresholds. It provided better access to the Section 8 HCV program, public housing program, and project-based Section 8 multi-family housing assistance programs.

- ***Housing Quality Standards and Inspection Process*** – The December 1, 2010 version of SEVRA also included a number of inspection-related provisions, including ones that

would: allow PHAs the discretionary authority to conduct HQS inspections of all of their voucher-assisted units every two-years rather than annually; permit PHAs to perform inspections on a geographical basis; allow inspections conducted by other entities to be used in place of a PHA conducted HQS inspection; and permit a PHA at its discretion to allow a voucher-assisted household to move into a dwelling unit after signing a lease with a property owner for a unit that has a reasonable rent and no health or safety violations, such that an agency may commence a lease, execute a HAP contract and verify within 30 days that the unit passes HQS.

- ***Administrative Simplicity for Income and Rent Reviews*** - Administrative simplification provisions in the December 1, 2010 version of SEVRA also track with the reforms noted in my testimony today and my testimony in 2009. That version of SEVRA would have relieved PHAs of the responsibility to maintain records of miscellaneous HUD-required income exclusions, and would have allowed PHAs to use applicable inflation adjustments for fixed-income families. Additionally, language in that bill permitted PHA safe harbor reliance on other governmental income determinations (e.g., Medicaid, TANF), and allowed PHAs to make other appropriate adjustments when using prior year's calculations of other types of income. These would be welcome additions to the HCV program. NAHRO also supported provisions regarding PHAs' use of households' prior-year earned income and alternative rent structures that would be allowed under the Voucher, Public Housing and Project-Based Section 8 programs.

- ***Expansion of Family Self-Sufficiency Program*** – The December 1, 2010 version of SEVRA converted the Family Self-Sufficiency (FSS) program from an annual competitive grant to an administrative fee to pay for the cost of an FSS coordinator as part of the standard administrative fee provided to PHAs. Additionally, language in the bill would have established standards for the number of FSS coordinators that an agency may fund and restored coordinator funding for agencies with effective FSS programs that lost funding in prior years for reasons unrelated to performance.

- ***Payment Standards, Fair Market Rents & Utility Allowances*** – The December 1, 2010 version of SEVRA also required HUD to approve PHA requests to raise the payment standard to up to 120 percent of the Fair Market Rent (FMR) for PHAs with high rent burdens or high concentrations of poverty. To provide reasonable accommodations for persons with disabilities, the proposed bill also permitted PHAs to, without HUD approval, increase payment standards up to 120 percent of the FMR. Also, HUD was authorized to approve payment standard requests in excess of 120 percent of FMR. The 2010 bill also improved the timing of HUD publishing FMR values. Finally, this version of SEVRA required HUD to publish data regarding utility consumption and costs in local areas as is useful for the establishment of allowances for tenant-based utilities for voucher families.

- ***Access to HUD Programs for Persons with Limited English Proficiency*** – The 2010 bill language also included a requirement that HUD develop and make available translations of vital documents developed by a HUD-convened task force, establish a toll-free number

and document clearing house, and complete a study of best practices for improving language services for individuals with Limited English Proficiency (LEP).

- ***Project-Based Voucher Assistance Program*** – The December 1, 2010 version of SEVRA would have amended the percentage of units that can have project-based assistance in an agency's voucher portfolio; provide protections against displacement for families who reside in a dwelling unit proposed to be assisted under the PBV program; and the use of site-based waiting lists under the PBV program – all of which NAHRO supported.

As this Subcommittee seeks to advance a bill that not only makes sense substantively but politically, we urge you to adopt a bill that hews closely to the December 1, 2010 version of SEVRA. We see no reason, given the measure of support that package had at the time, to radically alter it, although we are very happy that you made significant improvement to the HQS section and retained important language regarding the establishment of administrative fee rates by Congress in SESA. Certainly there is more that we could do to improve upon that package, but following seven long years of fits and starts, there is no reason to undermine a product that had many if not most of the bi-partisan decision-makers and program stakeholders on board.

The Subcommittee's June 16 Discussion Draft

With those comments in mind, we understand the reasoning and applaud you for developing a discussion draft which keeps in place, with one notable exception, much of what we found positive in the December 1, 2010 version of SEVRA. Please allow me to make a few final and more specific comments with regard to the discussion draft you have just released.

First and foremost, NAHRO has deep concerns about Section 6 of the bill - "Use of Vouchers"- which is one of the few sections in SESA that almost entirely eliminated language found in the December 1, 2010 version of SEVRA. As I mentioned earlier, NAHRO wishes to submit for the record a more detailed analysis about the importance of including sound funding policies to help promote program success, and why we believe the voucher funding section contained in the December 1, 2010 SEVRA compromise should be included in any future HCV reform bill. With respect to Housing Assistance Payments and Net Restricted HAP Assets, NAHRO believes that regulatory and administrative reforms are desperately needed because the backbone upon which the voucher program relies to achieve its historic success – a sound funding policy – has been thrown off kilter over the years and is in need of improvement. PHAs around the country have witnessed a widening gap between budget utilization rates and their voucher lease-up rates (percentage of authorized vouchers leased). As a result, many PHAs are now serving fewer families than their authorized number of vouchers. We would submit that prudent, strategic and purposeful application of sound funding policies based on lessons learned, and the restoration of the renewal HAP funding policy that was in place in FY 2003 should be included in the final bill you adopt. Please know that funding policies recommended by NAHRO do not increase the amount of required funding, but rather distribute limited Federal resources on a sound and rational basis subject to pro-rations. This would provide a greater measure of transparency and accountability to voucher programs.

Beyond the funding issues noted above, highlighted below in are additional comments regarding the June 16, 2011 discussion draft that we hope you will take into account:

- **Financial Self Sufficiency (FSS):** NAHRO supports the inclusion of language concerning the FSS program in SESA and is pleased to support the provision championed by Chairwoman Biggert over several years, We would, however, note that HUD is also in the process of advancing FSS reform legislation that also appears to achieve many of the objectives NAHRO could support. We hope that the Subcommittee and HUD can agree on a consensus product which we feel confident we could support based upon our most recent review of both proposals.

  In all circumstances, several experiences over the last several years have shown us that unless Congressional appropriators increase funding for an expanded FSS program, existing agencies with successful FSS programs will lose much needed funding. NAHRO recommends coordination between this Subcommittee and the THUD Appropriations Subcommittee as this legislation moves forward to ensure that there are not unintended consequences of existing agencies inadvertently losing their existing FSS funding.

- **Restoration of "Maximized Leasing" and an Explicit Policy on Net Restricted Assets:** The discussion draft states that "[r]eserves may be used for overleasing in any year, regardless of whether such use is eligible for renewal funding in a subsequent calendar year." (page 40, lines 21-24). Although the language in your June 16 discussion draft does not state whether the use of reserves would be eligible for HAP renewal funding, NAHRO is at a minimum pleased these provisions would reinstate "maximized leasing" – a wise and prudent practice that worked effectively prior to FY 2003. Maximized leasing was an option formerly available to PHAs for many years under the HCV program. It has enabled them to serve the maximum number of households possible with the annual amounts provided to them, so long as their annual spending over the subsequent year did not exceed 100 percent of their contracted units over the two-year period.

- **Ongoing Administrative Fees:** NAHRO believes that studying administrative fees in the HCV program is necessary. We believe that a future HUD study, if well-designed and -executed, can illustrate the HCV programs' current condition relative to these goals, and would illustrate examples where the balance is being struck between the methods housing authorities are using to achieve balanced outcomes within their budgets. However, we feel strongly that final determinations regarding administrative fee rates should not be left open to change by the Executive Branch. If allowed by Congress, one Administration could, for example, use the authority to significantly incentivize use of vouchers in metropolitan and suburban areas at the expense of rural communities unmet affordable housing needs; another Administration could use its authority to significantly incentivize widespread use of deep rental housing subsidies at the highest end of agencies' payment standard authority even if it meant serving fewer families overall. Still another Administration could use its authority to significantly incentivize homeownership at the expense of rental housing opportunity.

Administrative fee rates have been established in statute over the history of the HCV program with operational success, without undue influence by any Administration. The Office of Management and Budget (OMB) has consistently given the HCV program the highest rating awarded to any of HUD's programs. Just as we have emphasized how important a sound HAP and NRA funding policy is to the success of voucher programs, we also believe that the funding structure to support the administrative functions necessary to help families succeed and to enforce housing quality standards under the program be established by the Congress. Accordingly, for reasons specified above, NAHRO believes that HUD should submit its administrative fee study findings to Congress and also to interested stakeholders. NAHRO supports SESA's treatment of ongoing administrative fees by deferring to the existing authorized statute regarding pre-QHWRA fee rates and design under Section 8(q) that has worked well.

- **Moving to Work Demonstration:** Finally, as was the case with regard to the December 1, 2010 version of SEVRA, there are no provisions in this discussion draft which would convert the existing Moving-to-Work (MtW) demonstration to a Housing Innovation Program (HIP). NAHRO has long advocated for greater program flexibility and an expanded Moving-to-Work (MtW) program in its current form. Obviously, we want to expand participation in a well-designed MtW program, as has been done in an incremental fashion over the last several years, but our first order of business is to ensure that existing MtW agencies do not have to unravel their valuable programs crafted over several years. If moving and passing long-awaited legislative reforms for non-MtW agencies means doing so without a separate title in SESA, NAHRO would support introduction and passage of a stand-alone and well crafted MtW bill.

MEANINGFUL REGULATORY AND ADMINISTRATIVE REFORMS FROM HUD ARE LONG OVERDUE

To conclude my presentation, I would like to discuss the matter of administrative and regulatory reform which, in our opinion, has been long-overdue at HUD with regard not only to the voucher program but other programs administered by housing authorities.

During NAHRO's 2011 Legislative Conference held in March, senior HUD staff briefly summarized HUD's pending regulatory and administrative reforms and the likely time frames for rulemaking on consortia, portability reform, and Section Eight Management Assessment Program (SEMAP) reform.

On May 3, 2011 NAHRO provided an extensive set of recommendations (Document ID: HUD-2011-0037-0024-1 and HUD-2011-0037-0024-2) regarding regulatory and administrative reforms in the voucher, public housing and community development programs, in response to President Obama's Executive Order 13563 titled, "Reducing Regulatory Burden; Retrospective Review." On, May 23, 2011 NAHRO sent a letter to HUD to thank them for including us in its recent "Delivering Together" briefing focusing on the Department's intent to identify and implement short-, medium-, and long-term regulatory and statutory reforms to decrease the regulatory and administrative burden faced by public housing agencies. At that time, NAHRO

submitted a smaller list of 27 regulatory and administrative reforms in voucher programs, and expressed our belief that significant reforms are needed immediately for programs administered by PHAs. I ask that this information also be entered into the hearing record.

We believe that, in addition to the efforts you are making to advance voucher reform legislation, HUD should be prompted to act with deliberate speed to put in place long-overdue reforms that would further enhance and expedite a more cost effective and administratively less burdensome voucher program. We ask the Subcommittee to join with us to ensure execution of these reforms.

On behalf of my colleagues at NAHRO, thank you again for the opportunity to come before you and express our opinions regarding this vitally important legislation. We look forward to working with you to achieve voucher reform in calendar year 2011.

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Clarksville, TN
Leonard Williams
Buffalo, NY

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Cushing N. Dolbeare

Testimony of Linda Couch
Senior Vice President for Policy
National Low Income Housing Coalition
presented to the
Subcommittee on Insurance, Housing and Community Opportunity
House Committee on Financial Services
U.S. House of Representatives
"Legislative Proposals to Reform the Housing Choice Voucher Program"
June 23, 2011

The National Low Income Housing Coalition thanks Subcommittee on Insurance, Housing and Community Opportunity Chair Judy Biggert (R-IL) and Ranking Member Luis Gutierrez (D-IL) for the opportunity to testify on the discussion draft of the Section 8 Savings Act (SESA). We appreciate your leadership on this important legislation and look forward to working with Congress on its expeditious enactment.

The National Low Income Housing Coalition (NLIHC) is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes.

Our members include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. The National Low Income Housing Coalition does not represent any sector of the housing industry. Rather, NLIHC works only on behalf of and with low income people who need safe, decent, and affordable housing, especially those with the most serious housing problems. NLIHC is entirely funded with private donations.

In response to the upheaval in the housing choice voucher program instigated in the spring of 2004 by HUD's flawed allocation of otherwise adequate voucher renewal funding, leaving many agencies with insufficient funds and ultimately causing the loss of more than 100,000 vouchers nationwide, NLIHC held a voucher summit in 2005. At the summit, we brought together 66 voucher stakeholders, including voucher holders and representatives from advocacy groups, public housing agencies and their trade groups, affordable housing developers, housing finance agencies, HUD, the Office of Management and Budget, financial institutions, and congressional policy and appropriations staff from house and both sides of the aisle.

We are pleased that recommendations made by those at the voucher summit have been included in the in the Section 8 Savings Act discussion draft. These include recommendations regarding income targeting, rent simplification, inspections, project-based vouchers, and enhanced vouchers.

The voucher program's goals, as stated in the 1974 Housing and Community Development Act, were "aiding lower-income families in obtaining a decent place to live and . . . promoting economically mixed housing." Over the years, the voucher program has worked to improve the ability of low income people to afford rental housing in the private market, improve the quality of housing that people rent, expand housing and locational choice for low income people, and increase the ability of low income people to achieve economic self-sufficiency, among other goals.

NLIHC strongly supports the housing choice voucher program because of the stability it can provide to households and to communities. The voucher program brings housing stability to about two million households today with affordable rents, quality homes, and proximity to chosen communities for job, service, and school access. Communities benefit when families and individuals have access to safe, decent and affordable housing and are not living on the precipice of homelessness. Indeed, vouchers provide an extremely effective antidote to homelessness or the specter of homelessness.

The voucher program's income targeting standards make it the most deeply targeted of HUD's large housing assistance programs. These standards also make the voucher program the most on-target of HUD's large programs. In the voucher program, at least 75% of new voucher households each year have incomes below 30% of area median, precisely where need is the greatest and scarce federal resources can have the greatest impact.

In Illinois, 76% of extremely low income renter households pay more than half of their incomes on housing.[1] In Alabama, 74% of extremely low income households do. In Massachusetts, 75% of extremely low income households do. Unfortunately, the voucher program's income targeting, which actually targets our nation's most significant housing needs, is unique among HUD programs. Only when Congress capitalizes the National Housing Trust Fund (NHTF), will the nation will have two distinct programs in operation, one focused on tenant-based assistance (vouchers) and one on preserving and producing housing (NHTF).

We also know that housing affordability has decreased for extremely low income people in the United States.

In 2009, there were 10 million extremely low income households but only 6.5 million units affordable to this income group. Between 2007 and 2009, this shortage of affordable units increased by 1.3 million units. When affordable *and available* units are analyzed, the gap of housing available to extremely low income households increases to 6 million units nationwide.

[1] NLIHC tabulations of 2009 American Community Survey PUMS housing file, June 2011.

To put it another way, for every 100 extremely low income households, there were only 39 affordable and available units in 2009. [2]

Simply put, if our programs are not targeting extremely low income households, they are not meeting our communities' most pervasive and most acute housing affordability needs. This is why the housing choice voucher program is so important to NLIHC and why we are so eager to see improvements like those in the discussion draft of SESA enacted. Indeed, NLIHC believes that a significant expansion of the voucher program and capitalization of the NHTF, both of which are targeted to the lowest income households, are the primary vehicles through which the United States can and will end homelessness.

On June 14, HUD issued its annual report to Congress, the Annual Homeless Assessment Report, reporting that 649,917 people experienced homelessness in the United States in 2010.[3] If we are to end homelessness in the United States, it will be through a combination of rental assistance, production and preservation of affordable housing. Such goals are not in the business plans of the nation's corporations. Rather, it must be the business of the federal government to carry out a proactive, aggressive plan to end homelessness.

There has not been a significant number of new vouchers issued in the United States since 2002. Since that time the nation has seen a 42% increase in worst case housing needs. Worst case housing need households are defined by HUD as very low income unassisted renter households (income below 50% of area median) and either paying more than half of their incomes on rent or living in severely substandard housing. By definition every worst case housing need household is eligible for a voucher but does not have access to them.

Review of Section 8 Savings Act Discussion Draft

Administration of Assistance
The invitation to testify included a question on how public housing agencies (PHAs) use their administrative fees to operate the voucher program. Incorporated in this question was a request for ideas on "areas that could be streamlined or simplified while still maintaining proper program oversight." NLIHC is very interested in achieving this critical balance and believes strongly that Congress should not reduce administrative operations that provide quality control and the data necessary to understand the effectiveness of the programs. There is a point at which reducing administrative tasks will undermine our understanding of, and appreciation for, the programs as well as Congress's and HUD's ability exercise their oversight.

Rent Simplification and Maintaining Brooke
Critically, the draft bill would streamline and simplify rent setting, and encourage increased earned income while maintaining the core benefit of these programs to assisted households: rents set to the Brooke standard. Brooke rents, named after former United States Senator Edward

[2] Pelletiere D. (2011, January). A Preliminary Analysis of the 2009 and 2007 Rental Affordability Gaps. *National Low Income Housing Coalition.*

[3] US Department of Housing and Urban Development. (2011, June). 2010 Annual Homeless Assistance Report to Congress. [No. 11-121].

Brooke (R-MA), cap rents at a percentage of adjusted income, today 30%, while connecting each household's rent to its own income. This ensures affordability and housing stability for each household. If we cannot rely on every household's rent being affordable, then there is little value in any housing assistance program.

NLIHC supports the rent simplification provisions included in the discussion draft. We believe that these will lessen administrative duties while not jeopardizing program integrity. The rent simplification provisions will also simplify the rent-setting process for residents of public and assisted housing and voucher holders.

These simplifications include recertifying incomes of fixed income households every three years instead of annually, which is particularly significant since the majority of assisted households are elderly and/or people with disabilities. Residents, PHAs and owners will all benefit from these provisions.

Many of the draft bill's rent simplification provisions serve double duty by also encouraging increased earned income. The draft bill would also establish thresholds for which income recertifications could occur and would give PHAs some discretion on adjusting these thresholds. Interim income recertifications could only occur, under the draft bill, at the tenant's request if annual income is expected to decrease by at least 10%. Conversely, interim income recertifications due to increased income would only occur when annual income increased by 10%.

Assisted tenants would not have to recertify their incomes more than annually due to increases in earned income if they did not receive any income reductions in that same year. And, PHAs and owners could chose not to conduct any interim income recertifcations during the last three months of a tenant's recertification period. The bill would also base rents at annual income recertificaitons, after initial occupancy, on the prior year's income instead of on projected income, which is the current practice. NLIHC believes that these provisions will benefit residents by allowing them to hold onto more of their increased earned income longer and make rent setting and income recertifications easier for PHAs and owners.

While NLIHC is disappointed that the bill does not have a broad expansion of the current earned income disregard included in earlier drafts of the Section 8 Voucher Reform Act (SEVRA), it is our hope that the draft bill's provisions, which will apply to all public housing, voucher, and project-based residents, will encourage increased earned income while lessening administrative functions by owners and PHAs.

Inspections

The discussion draft of SESA includes a number of provisions related to streamlining the inspections process, which would decrease the administering agency's duties and presumably house people faster without risking their right to safe and decent housing in the voucher program. The draft bill's provisions allow PHAs to abate rental payments if the apartment owner fails to correct deficiencies. NLIHC supports requiring the use of up to two months' abated funds for relocation assistance, including security deposits and moving expenses, if tenants in deficient units must move because of an owner's failure to remediate identified problems.

Payment Standard Increases for Reasonable Accommodation
To reduce administrative tasks as well as improve the effectiveness of the voucher program for people with disabilities, NLIHC supports including in SESA the authority for PHAs to increase the payment standard to 120% without having to seek HUD approval as a reasonable accommodation to persons with disabilities.

Voucher Renewal Funding
The viability and credibility of the voucher program is rooted in a stable, sufficient, and reliable voucher renewal funding policy. The SESA draft bill calls for determining annual allocations of voucher funding for PHAs based on the leasing rate in PHAs' prior calendar year.

The draft bill stops short of dictating that annual voucher funding allocations be based on leasing and cost data, but does lay out what the leasing rate shall include. The leasing rate would be the number of vouchers under lease, including vouchers that exceed an agency's authorized voucher level if they are funded through the allocation for the agency for the prior year, with adjustments for incremental and new tenant protection and enhanced vouchers.

While the draft bill's language on leasing rates and reserves is helpful, NLIHC urges the Subcommittee to codify voucher renewal and reserve language in a SESA bill rather than rely on annual appropriations bills for such directives.

The draft bill would also prohibit PHAs from retaining voucher reserves of 6% or more than the amount it was allocated in the prior calendar year. The bill would also allow reserves to be used for over-leasing in any year, regardless of whether such use is eligible for renewal funding in the subsequent calendar year. NLIHC supports these policies.

Unlike previous versions, the current draft bill does not include offset and reallocation policies that NLIHC thinks would bring additional stability to the program. Offset policies in previous versions of SEVRA, supported by NLIHC, would allow HUD to offset a PHA's allocation by the amount its reserves exceeded 6%. The HUD Secretary would then be authorized to use these offsets for a variety of purposes, including for increased costs due to portability, significant increases in voucher renewal costs resulting from unforeseen circumstances, and reallocating to PHAs to avoid or reduce any pro-rations of renewal funding.

NLIHC also supports an advance mechanism to PHAs that could act as a safeguard for agencies that experience a temporary shortfall in funds. Such a mechanism was included in earlier SEVRA bills and NLIHC supports inclusion in SESA. Provisions that allow a PHA to request, during the last quarter of the calendar year, up to 2% of its allocation to pay for additional voucher costs, including costs related to temporary over leasing. NLIHC believes that this will give some PHAs the assurance they need to increase their voucher utilization rates. These advances would have to be repaid and could not occur in two consecutive years.

Project-Based Vouchers
While NLIHC is pleased that the discussion draft includes a provision to allow the maximum contract term for a project-based voucher to be extended from the current 15 years to 20 years,

many other project-based voucher provisions could be added to SESA that would be extremely beneficial to renters and affordable housing developers.

NLIHC hopes that, as the bill moves forward, additional provisions to support the project-basing of vouchers are included. NLIHC supports project-based voucher policies that allow PHAs to base the existing 20% cap for project-basing on either the number of its vouchers or its voucher budget authority. In addition, NLIHC supports authorization for an additional 5% of vouchers or voucher funds for project-basing in units housing homeless families, for supportive housing for persons with disabilities, or for units in tight rental markets. NLIHC also supports the authorization for site-based waiting lists for properties with project-based vouchers.

Such provisions were in earlier versions of SEVRA and NLIHC stands with many other organizations who think these improvements to the project-basing of vouchers will increase resident choice and the ability of PHAs to respond to their communities' needs.

Enhanced Vouchers
The discussion draft includes important provisions regarding enhanced vouchers, all of which NLIHC supports. The draft bill would include enhanced vouchers under factors to be considered in a PHA's voucher leasing rate. The draft bill would also prohibit existing public and assisted housing families who receive enhanced vouchers or tenant-based vouchers because of demolition or disposition, or because of a termination of a HUD subsidy contract, from being considered a new applicant and being re-screened by the PHA.

The draft bill would also provide enhanced vouchers to tenants in a property with a mortgage that has matured but where, if the owner of the property had prepaid the mortgage instead of allowing it to mature, the tenants would have been eligible for enhanced vouchers upon the prepayment. This provision will protect tenants from increased rents when the project-based subsidy contract expires for their buildings.

Use of Vouchers in Manufactured Housing
Prior to the Quality Housing and Work Responsibility Act of 1998, vouchers could be used to subsidize a variety of housing costs for families in manufactured housing, but QHWRA limited voucher assistance payments to subsidies for the land rental costs only. NLIHC supports the inclusion of language in the bill as it moves forward that would allow voucher assistance to cover the cost of purchasing a manufactured home, including any required insurance and property taxes and the monthly amount allowed for tenant-paid utilities, in addition to the already allowable use of voucher assistance to pay the monthly rent charged for the real property on which the manufactured home is located.

According to the Housing Assistance Council, there are more than seven million manufactured homes in the United States, representing about 7% of the nation's housing stock. More than half of these homes are in rural areas. Incomes of manufactured home residents are nearly 40% lower than other households. The majority of manufactured homes are financed by personal property

loans.[4] NLIHC supports including the above provisions in SESA as it moves forward to bring affordability and stability to these homeowners.

Admissions
NLIHC supports the discussion draft's proposal to require any elective screening by PHAs of voucher program applicants be limited to criteria that are directly related to the applicant's ability to fulfill the obligations of their lease, and that any mitigating circumstances presented by the applicant must be considered.

Other voucher program improvements in this portion of the draft bill would provide voucher holders with the same due process rights that public housing residents have today, including notice of the basis to deny or terminate assistance and the right to a hearing.

As voucher holder rights are advanced in this draft, NLIHC urges the Subcommittee to include other protections as well. Protections from earlier versions of SEVRA would limit denials of assistance for criminal activity to violent and drug-related activity or a pattern of other criminal activity during a reasonable period before the admission date and where there is credible and objective evidence.

Fair Market Rents
Regarding the methodology HUD uses to determine fair market rents, NLIHC remains most interested in keeping FMRs as accurate as possible and as administratively consistent as possible. NLIHC supports the draft bill's language to no longer require HUD to publish proposed FMRs but, rather, to allow for public comments on the final FMRs, with HUD releasing revised final FMRs as necessary. NLIHC also supports the draft's requirement that HUD publish for comment any material changes in the methodology for estimating FMRs.

The discussion draft of the bill would require that FMRs be published "not less than annually." NLIHC believes this language is insufficient and supports the inclusion of some date certain by which FMRs must be published each year and some date certain for income limits to be published each year. Ideally, these dates would have some close proximity to each other.

NLIHC has also expressed our strong support to HUD for its small area FMR demonstration. NLIHC believes that this demonstration, which will provide FMRs for zip codes, will result in voucher holders having more choice to live in neighborhoods with better economic and educational opportunities and in voucher rents not leading the market in some of the most undesirable neighborhoods. NLIHC supports the use of zip-codes in the demonstration. Zip codes provide rent information on a sufficiently smaller scale, they are relevant to determinations of appropriate rent level by the general public and in using public and private rent and real estate websites and other sources of information, and most importantly perhaps, the zip code for a property is easily identified by PHAs, landlords and voucher recipients alike.

[4] George, L. and Yankausas, J. (2011, March). Preserving Manufactured Home Communities in Rural America. *Housing Assistance Council.*

Rent Policy Demonstration
The draft bill's rent policy demonstration would allow the HUD Secretary to carry out a demonstration project for a "limited" number of families to determine the effectiveness of different rent policies, including ceiling rents, tiered rents, and an earned income disregard. While other rent simplification provisions of the draft bill stay firmly within the Brooke framework, this demonstration would put HUD-assisted households at risk of having significant cost burdens.

NLIHC's initial thought on this demonstration was, "Don't we already have such a demonstration and isn't it called Moving to Work (MTW)?" However, we understand that imposing new guidelines and structures on existing MTW agencies is impossible. Unfortunately, if MTW were properly established, we would know the answers to the questions for which this demonstration seeks answers. But, MTW was not properly set up to be evaluated as required by the MTW statute and we have no such data.

NLIHC appreciates that the discussion draft does not expand the MTW program to additional agencies or make it permanent. To this end, we could consider the demonstration outlined in the draft bill if it included several parameters. These might include: meaningful resident participation in development and ongoing administration of any demonstration; interim and final evaluation components that include data gathering, both of which would monitor rent burdens; rent burdens becoming de facto time limits; hardship provisions; how well the demonstration is meeting the goals in the discussion draft; authority for the HUD Secretary to stop or change a demonstration policy if it's been found to harm residents; ineligibility of troubled agencies to participate; and, limiting the demonstration to the smallest number of families and the shortest time frame necessary to test various rent structures.

Moving to Work
What impact has the Moving to Work program . . . had on participating PHAs? To be brief, we do not know. We don't know if residents have been helped finding employment. We don't know if federal funds were used more efficiently. We don't know if more residents have become self-sufficient than would have without the MTW program. We don't know if housing choices for low income families have increased. We don't know what has happened with MTW PHAs that have imposed or threatened time limits, work requirements, higher income targeting, and market rate rents.

After more than 10 years as a demonstration, we simply do not know across participating agencies what has happened to public housing residents and voucher holders, or what the impact of MTW has been on the financial and physical health of the housing agencies' housing programs. NLIHC understands that HUD will begin to collect data from the MTW's latest entrants; these data will be helpful.

For now, we have anecdotal reports based on anecdotal reports. HUD's recent report on MTW, published in the fall of 2011, was criticized sharply by NLIHC.

HUD's Inspector General has issued a series of reports over the last several years, each raising red flags about the MTW program in general and significant issues with individual

demonstration sites. One of the IG reports questioned how the Housing Authority of Baltimore City was included in the demonstration at all, given its poor track record and incomplete, late application. Another report found that HUD did not design the MTW program to collect any data and instead relied on existing HUD systems to collect data, which could not collect the data. Yet another report chastised the Housing Authority of the City of Pittsburgh for stockpiling $81 million in HUD funding while missing out on serving more than 3,000 households with vouchers and earning dismal public housing Real Estate Assessment Center scores. One IG report focused on the Vancouver (WA) Housing Authority, which decided, without HUD's agreement, to no longer conduct housing quality inspections of its voucher units.

Civil rights groups have been outspoken in their opposition to MTW. MTW sites (in Lincoln, NE, Xenia, OH, Lawrence, KS, Vancouver, WA, and Delaware state) have restricted portability moves and (in San Antonio, TX) have shifted their focus away from housing extremely low income people to those with higher incomes, all allowable under MTW.

Notable for this hearing, all of the rent simplification measures touted in the report as used by MTW agencies would be achieved for all PHAs with the passage of SESA. These include reducing rent recertification frequency for fixed income households, eliminating or simplifying the earned income deduction, ignoring some or all asset income, and replacing medical and child care deductions with a standard deduction.

NLIHC is hopeful that MTW provisions will remain out of SESA as the bill moves forward.

Family Self Sufficiency
The draft SESA bill would stabilize funding for the housing choice voucher FSS program by changing the FSS coordinator funding stream from an annual competitive grant to an administrative fee. The SESA provisions would provide greater stability by funding coordinators through annual administrative fees tied to program size and performance standards, ensuring housing agencies have sufficient funding to provide reliable, high-quality service to FSS participants.

The draft bill would also expand the number of families benefitting from FSS by opening up eligibility to families living in project-based Section 8 multifamily housing properties. The draft SESA bill would amend existing policies to merge the public housing and voucher FSS programs into one unified FSS program, reducing administrative duplication and costs and eliminating policy inconsistencies between the two programs. NLIHC supports these provisions.

In addition to these helpful policies, NLIHC supports one additional, beneficial step toward FSS program unification and streamlining: merge the funding sources for FSS coordinators so that a single federal funding source, the FSS administrative fee specified in the draft bill, would fund the coordinators of all eligible FSS programs.

Thank you for considering our comments.

Testimony of Roberta Graham
Vice President for Housing Choice Voucher Services
Quadel Consulting
House Financial Services Committee
June 23, 2011

Chairman Biggert, Ranking Member Gutierrez and other Members of the Committee, my name is Roberta Graham and I am Vice President for Housing Choice Voucher Services at Quadel Consulting Corporation. Quadel Consulting is a private company that assists public housing agencies and state housing agencies in managing and operating assisted housing programs. For over 30 years, we have provided private management, consulting and training to the housing community. Quadel is a national expert in the Housing Choice Voucher, HUD-subsidized multifamily, Public Housing and Low Income Housing Tax Credit programs. We have served several thousand clients, including local public housing agencies, state agencies, federal agencies, nonprofit organizations, private owners, managers and developers of assisted housing. Since 1984 Quadel has managed front line operations for 29 PHA programs, including ongoing operations and special turnaround efforts.

Currently, Quadel manages the work of five Housing Choice Voucher programs in Miami-Dade County, Memphis, Newark, Baltimore City and the State of Louisiana. We also directly administer state-wide project-based Section 8 programs in the states of Indiana and North Carolina. In addition, Quadel provides professional training and technical assistance in affordable housing programs throughout the country. Quadel's success in training, consulting, and direct management results from our extensive knowledge of housing program regulations and funding, and an understanding of how these programs operate "on the ground."

I have worked in affordable housing for 32 years, and currently lead the division that provides direct management services of Housing Choice Voucher programs and a variety of consulting services to HUD and PHAs. I have oversight responsibilities for the start-up and ongoing management of voucher management contracts, including office setup, developing organizational plans, recruiting, hiring and training staff, developing program policy and procedures and ensuring development of appropriate systems to complete and track program activity. I have deep experience in turning around troubled programs, changing organizational culture and correcting program deficiencies.

The Housing Choice Voucher Program

The Housing Choice Voucher program is a public-private housing solution for low-income families, people who are disabled and the elderly. The program is funded by the federal government and administered by local housing agencies, and a true public-private partnership which depends on private landlords. The program permits families to choose private market housing and, because the subsidy is tied to the tenant rather than a project, families can move closer to areas of employment, education or other opportunities that can lead to self-sufficiency.

The program has become incredibly complex over time, with an ever-changing and extensive web of rules and regulations, including additional administrative requirements. While Congress has worked to hold voucher subsidy funding harmless, cuts in administrative fees will impact the ability to provide assistance to families in need. The voucher program would benefit from simplification, and with reduced fees, the simplification of and relief from some burdensome requirements is imperative. This year, administrative fees were cut by Congress and HUD has determined that administrative fees will be funded at an 83% proration. Because PHAs were funded at a much higher proration for the first 6 months of 2011 before the FY2011 appropriations bill was in place, available administrative fees for the remainder of 2011 will be significantly below the 83% proration.

Given the efforts of Congress to close the growing deficit and reduce discretionary spending, and expected additional cuts in 2012, finding ways to administer the voucher program more cost-effectively is vital. The complex requirements in the voucher program have long been difficult to administer and many requirements are administratively costly. Now, as administrative fees are cut, we urge you to look at ways to streamline and simplify the program. We believe that it is possible to reduce red tape and burdensome and duplicative requirements without sacrificing the efficacy and integrity of the voucher program.

After 40 years of implementation and increasing complexity, the program is due for a serious design review that may result in significant program changes. While we believe that significant changes may be warranted, my testimony today focuses on the draft provisions in the Section 8 Savings Act, or SESA, as well as our top recommendations for simplifying the voucher program. In addition, because we are practitioners we have looked beyond the intent of the legislation to the implementation of these provisions.

The draft SESA provisions are a good start at simplifying program operations, and we applaud your attention to the important needs in this program and for affordable housing around the country. We agree with the intent of the legislation and the focus on income recertifications and inspections as the first places to cut back regulations. We are concerned, however that certain provisions, though well intentioned, are likely to result in increased administrative requirements. We look forward to working with the committee to ensure that the bill and its implementation live up to your intent to streamline and simplify program requirements.

Quadel has analyzed the costs of voucher program administration in one location and has found the highest burdens in annual reexaminations, inspections, interim reexaminations, participant moves and income calculation and verification. The following table provides data on one PHA Housing Choice Voucher program managed by Quadel to illustrate how the administrative expenses break down by function.

Example of HCV Program Operation Expense Breakdown	
Program Function	% Expenses
Annual Reexaminations	35.7%
Inspections	17.5%
Moves	13.5%
Interim Reexaminations	12.1%
Oversight	8.6%
Admissions	6.7%
Special Programs	5.8%
Total	100.0%

Though the table above represents only one program, in our experience, it is likely that administrative burdens in other PHA programs are similar.

Given the concentration of high costs in five discreet program functions mentioned above, we focus our testimony on ways to simplify and reduce burdens in these areas. Simplifications in these core voucher program administrative functions will save the most staff work, and therefore costs, to operate the program.

Annual Reexaminations

The reexamination of household composition, income and allowances is required annually for all assisted households. PHAs schedule this work to begin from 60 to 120 days in advance of the scheduled reexamination date. General steps in the process include:

1. Schedule reexamination appointments, or data collection processes.
2. Collect data from applicants/participants – this is typically done either through in-person interviews or by mail – application forms must be completed, authorizations to verify income and household status signed and documentation of income sources and allowances submitted.
3. Review submitted data and collect any additional or missing information from the family.
4. Compare data collected from households to data available in HUD's Enterprise Income Verification (EIV) system. EIV contains data available from Social Security Administration and Department of Labor sources as well as HUD data.
   In addition to providing data on income, EIV alerts the user to a variety of actual and potential compliance and program abuse issues. The EIV report flags family members for whom the income data available from other sources is significantly different that that reported by the family (and recorded in HUD's PIC system). It also flags individuals who are listed in more than one assisted unit and those whose identity and citizenship status has not been fully confirmed.

5. Resolve any discrepancies/findings. This may include additional income verification work, discussion with household. (See below for additional discussion of EIV).
6. Calculate income and allowances, enter data into the System Of Record (SOR) to calculate family rent and housing assistance payment.
7. Send notification of changed payments to households (or termination notices if it is determined the household is no longer eligible) and the landlord.
8. Submit data from SOR to HUD's PIC system (correcting any errors identified by PIC)
9. Generate revised/new monthly assistance payments to landlords.

Through the reexamination process, PHAs ensure that the correct family rent and assistance payments are calculated. This is an important activity, however as noted above, 35.7% of administrative fees are spent on this activity—more than any other function. We believe that simplifications and streamlining in reexaminations could result in significant savings without compromising the integrity of the program.

An analysis of two sites managed by Quadel indicates that almost 30% of program participants are on fixed incomes (social security, SSI, pensions, etc.). We support reducing the frequency of annual reexaminations, particularly for fixed income households, however the draft legislation still requires a recalculation of income in one of the two "off years," (based upon a HUD published inflation factor) which is to be applied to certain, but not all types of fixed incomes. This means that the true reduction in administrative work will be only 10% of the scheduled reexamination cases for an HCV program each year. We would suggest a revision that would reduce more of the reexamination work.

We recommend looking at reducing the frequency of annual reexaminations for **all** households to a biennial schedule. This will result in significant administrative savings.

While the most recent comparison from one of our programs indicates there is no change in HAP from one year to the next for approximately a third of the families regardless of income source, a more complete review of the data would be needed to ensure no increase in subsidy would result from this change or to require reexams in certain circumstances.

Housing Quality Standards Inspections (HQS)

HQS inspections of assisted units are required before allowing a participant to rent a unit with a voucher and also must be performed annually thereafter. If deficiencies are found, PHAs must verify that the deficiencies are corrected within specific time frames and if they are not corrected, take enforcement action. General steps in the process include:

1. Identify unit for inspection.
    a. For new unit – receive request for tenancy approval form.
    b. For currently assisted unit – system of record (SOR) generates a list of inspections due for their annual inspection.
2. Schedule inspection date and time with landlord (or participant).
3. Travel to unit and conduct inspections (walking through each room, exterior, yard and outbuildings, and looking at neighborhood conditions).
4. Record results by items in each room either on paper or in automated inspections software.

5. Generate letters notifying owners of deficiencies that result in a fail rating, the required correction date, information on how and when the correction of deficiencies will be confirmed, and penalties to be applied (abatement or contract termination) if corrections are not made on time.
6. Confirm correction of deficiencies (most frequently with a 2nd inspection, but owner/tenant certification is permitted).
7. If deficiencies are not corrected, place abatement of payments within payment system and; generate another notification to owner/tenant, describing next required steps.
8. When unit passes, enter data into SOR, continue making payments.
9. If unit does not pass after final permitted inspection, terminate contract (and participant assistance if appropriate) and begin assisting participant to find a new unit.

An analysis of one of our voucher programs shows that 17% of our administrative fees are spent on inspections, the 2nd most costly function. Assurance that assisted housing is decent safe and sanitary is a critical part of the HCV program. Scarce federal dollars should not be used to assist unsafe housing. Many, but not all, landlords maintain units in safe condition. Reducing the frequency of inspections on properties with a known track record of safety and good quality units would reduce a significant burden on landlords while reducing the administrative cost to PHAs.

The draft legislation proposes an administrative reduction by proposing biennial inspections for all units and allows for an alternative inspection methodology for units that have undergone another type of inspection within the past twelve months. We support biennial inspections because this will result in significant cost savings to PHAs, and will speed up the process of approving units and encouraging more private landlords to participate in the program. In addition we support the use of alternative inspections, and would welcome the opportunity to provide input to assist HUD in ensuring a simple process of implementing these requirements.

Further, we believe the reduction in inspection frequency should be tied to documented history of good quality housing. One proposal would be to inspect all units on the anniversary of the first inspection and thereafter reduce inspections to once every two years when the anniversary inspection results in no fail deficiencies.

To ensure units are maintained properly even though they are not inspected annually, PHAs could be required to implement a rigorous quality monitoring program. Random quality assurance monitoring would communicate to owners the importance of maintaining good housing quality.

While the provisions allowing for withholding of HAP will meet the intent of providing assistance to families more quickly, implementing and tracking a new system for withholding HAP is an additional administrative requirement in the program, and will add additional administrative costs.

In addition, the provisions related to using abated payments to assist participants to move to another unit, add an administrative requirement that does not currently exist and therefore reduces the cost savings generated by less frequent inspections.

Interim Reexaminations

Though PHAs have some discretion in establishing requirements for participants to report changes in income and circumstances during the year, there are some changes that require action on the part of a PHA between annual reexaminations. Families must report changes in household composition, may report decreased income (and when they do the PHA must process a corresponding reduction in rent), and may be required, based upon PHA policy, to report increases in household income. Interim Reexaminations are unscheduled and the timing is unpredictable, they generate unscheduled and unpredictable workloads for PHAs. General steps in the interim process include:

1. Initiate interim reexamination. Typically initiated by participant for either decrease in income, increase in income (only if required by PHA policy) or change in household composition. May be initiated by the PHA if fraud or abuse is suspected.
2. Collect information and documentation related to changes in circumstances.
3. Compare data collected to EIV data.
4. Complete verification of all changes in household composition an income.
5. Recalculate income and rent.
6. Enter information into system of record – submit record to HUD PIC.
7. Send notification of changes to tenants/owners.
8. Implement changed payment.

While requirements for interim reexaminations include verification only of factors that have changed, the complicated definition of income and use of Enterprise Income Verification (EIV) reports (described below) do apply to this process. PHAs may require that households report all changes, including increases in income, which result in a HAP savings. In order to reduce workload, however, many PHAs currently do not require families to report increases in income, but only process decreases. At one Quadel managed site, 12.1% of the administrative fee is spent on interim reexaminations.

The SESA provisions require interim rent decreases if household reports a decrease of 10% or more of annual adjusted income, and interim rent increases if household annual adjusted income increases by more than 10% (except that increases in earned income are exempted so long as there was no previous decrease in rent related to earned income). The draft legislation as written will require processing approximately 75% of an interim to determine whether it must be completed and implemented.

We fully support a SESA provision that will result in fewer interims. In order to achieve that end, we recommend that interims be required only when gross income increases or decreases (and allowances change) by 15% or more.

Income Determinations

The definition of "income" for assisted housing programs has grown more and more complex over the years, and PHAs must spend a significant amount of time making income calculations. Some examples:

(1) The regulations contain nine broad categories of income to be included and 17 categories of income that are not counted. Significant research and in-depth knowledge of other public programs is required to determine income source category.
(2) There are exceptions to the basic classifications based upon the characteristics of individual household members (e.g., minors, students, disabled persons, foster children and adults, live-in aids and their children, and for certain periods of time). For example:
    a. Earned income is generally counted but there are a number of exceptions including income of minors, some component of military pay, income of live-in aides and some earnings of qualified persons with disabilities.
    b. Lump sums a family receives are sometimes not counted, sometimes counted as assets and sometimes counted as income.
    c. Only the first $480 of full time student earned income is counted (unless they are the head of household or spouse) (but an extremely complicated rule regarding eligibility and the determination of income for students under the age of 24 must be followed when determining income eligibility for program participation).
    d. Increases in income are not considered for 12 months for persons with disabilities at certain income levels and 50% of increases are not considered for an additional 12 months (and the 24 months exemption can occur over a 48 month period).
(3) PHAs are required to verify and enter into data systems income sources that (by regulation) are not counted and have no impact on assistance payments.
(4) "Income" includes income from assets. Current regulations require:
    a. Complex calculations of cash value of such things as insurance policies, investment accounts, retirement accounts.
    b. PHAs must determine if cash withdrawn from an asset is a reimbursement of amounts invested or new earnings.
    c. Calculation of both the actual income from assets and an imputed income from assets if family assets exceed $5,000 (and the greater amount must be included as income).
(5) Deductions from income (child care, disability assistance expenses, medical expenses) require complex calculations.
    a. Child care expenses are allowed only for children under the age of 13 (and must be prorated if a care provider watches a 13 year old and a 10 year old); are allowed to enable a person to work, look for work, or go to school. Families may not deduct more child care expenses than income earned by the person who is enabled to work, but this limitation only applies to the portion of the child care expense attributable to work and not child care expenses attributable to looking for work or going to school. The rule is hard for families to understand and provide documentation for and difficult for staff to correctly calculate.
    b. Disability assistance expenses are permitted only to enable someone to work and are capped by earnings.
    c. Medical expenses are allowed only for elderly and disabled households, require review of out of pocket medical expenses from the prior year and a determination of which expenses (past and future) can be anticipated to occur in the coming year.

While each of the specifications in the definition of may make some sense individually, collectively, the complexities of the definitions make the verification process extremely labor intensive. This work results in only marginal differences in the bottom line of assistance payments.

For example, an analysis of the records for one program administered by Quadel shows that the verification and calculation of assets and income from assets resulted in an **annual HAP reduction (savings) of $.94 per household**. For this PHA, which has 1679 program participants, this was an annual HAP savings of $1,581.00. Analysis of a second program managed by Quadel shows that the same verification and calculation of assets and income from assets, resulted in an **annual HAP reduction (savings) of $.88 per household**. This was a PHA-wide savings of $11,802 for 13,469 participants.

Income definitions are used for admissions, annual reexaminations, and interim reexamination functions (a total of nearly 55% of program costs). By streamlining the definitions and the way that income is computed, we could find cost savings in all three of these voucher administrative functions without significantly impacting assistance payments.

We strongly support the proposed elimination of the requirement to verify and report excluded income. This will reduce staff time and administrative resources to verify and collect data on income sources that have no impact on assistance payments.

Based on our two examples of $.94 and $.88 in increased rent per household per year for households with assets that was provided above, we would propose that the requirement to verify assets and calculate income from assets be eliminated. This would be dependent on additional data from HUD and PHAs confirming the marginal benefit of this computation.

If assets and income from assets remain in the definition of income, we believe that allowing families to self-certify to assets that total less than $50,000 as included in the SESA provisions will save considerable time. We would also suggest that families be permitted to certify to the income earned on net assets of less than $50,000 to further reduce the administrative burden.

Allowances for child care, medical expenses and disability assistance are incredibly complex and require that PHAs sort through medical bills, child care payments and disability assistance expenses. Further, the PHA must determine what the maximum allowances can be for each of the allowances (and the rules for determining the maximum allowance are different for each). The proposed legislation retains the allowances, retains the rules on maximum allowances, but reduces the amount that will be deducted from income. The new legislation updates the amounts of allowances and makes some calculations more consistent with IRS rules (medical deductions), however the administrative costs associated with gathering tenant data, verifying and determining allowance amounts have not been simplified. We recommend establishing standard family allowance amounts for families who qualify for medical, disability assistance and child care allowances and eliminating the individual allowances. This will take research to determine how to standardize allowances while ensuring a neutral financial affect.

Verification Requirements and the Enterprise Income Verification (EIV) System

Though the verification of income and program eligibility requirements are not legislated, but regulated and implemented by HUD, we believe changes to HUD requirements are needed as well. HUD requirements require considerable resources to determine program participant incomes. These rules are time consuming and challenging for PHAs to implement and are examples of program complexity. We would welcome the opportunity to work with HUD and Congress to simplify the verification requirements, which would go a long way towards reducing the administrative costs to operate the program.

The HCV program has always had a requirement to verify any information used to determine eligibility and rent amounts. Third party verification (direct information from the source of income or expense) has been required since the inception of the program. Until last year, HUD's preferred method was to verify information directly with the source and not use information provided directly by the participant unless third party verification was not possible. It is time consuming to collect information directly from such sources (employer, welfare department, bank, and physician) and is a large administrative cost to the program. HUD has developed a hierarchy of verification that is required to be used, and when the highest form of verification is not available, participant records must be documented as to the reason the higher form of verification is not used. Documentation of the information used to calculate income and rent in all program transactions is the single most time consuming activity performed in the HCV program.

More recently HUD has developed the Enterprise Income Verification (EIV) system, intended to ease the administrative burden of income verification and provide independent information on household income that will identify fraud and abuse of program funds. EIV is an important and valuable HUD initiative that enables income matching among HUD, Social Security and the Department of Labor and enhances the ability of housing program administrators to confirm the identity and income of program participants. The EIV program has the potential to streamline the income verification process and reduce administrative burden. However, the current implementing regulations impose requirements that actually increase administrative burdens and complicate income verifications without resulting in greater HAP accuracy. Relatively minor changes could be made that would reduce these burden without compromising HUD's ongoing Rental Integrity initiative.

EIV reports provide an annualized income based upon averaging 4 quarters of data. Providing this calculation is a service and presents the PHA with valuable information; however the rigid protocol for using EIV data often results in false discrepancies that require PHAs to complete additional verification. This occurs both because there is a lag in EIV data and because families circumstances change over time. HUD regulations require that we compare anticipated (projected) income with backwards-looking EIV data and then verify when a discrepancy exists. The two data sets are from different points in time and cannot always be compared. We recommend permitting HCV administrators to use EIV data as a tool but eliminate the detailed prescriptive processes that generate the false discrepancies. PHAs should be provided with more flexibility to interpret the data and determine when a genuine discrepancy exists. If EIV contains good income data, there should be no requirement that additional and duplicative verification be conducted.

In addition, the current requirement to run an EIV report 120 days after each New Admission (new requirement in the past year) creates an unnecessarily complex workload that results in many "false positive" income discrepancies that are burdensome both to administrators and program participants.

Because of the lag between the eligibility determination and the 120 day EIV review, the calculation methodology results in false discrepancies, causing the PHA to complete additional verifications that produce little or no benefit in terms of HAP accuracy. In addition, the timing of this transaction causes the PHA to do this additional work within just a few months of the start of the next annual reexamination process.

While the practice of the 120 day review could be continued, PHA's should only be required to check for unreported income sources, rather than both unreported and underreported income. This protects the program from abuse without triggering the workload of false discrepancies cause by the time lag.

As part of EIV implementation a six-level verification hierarchy was established that requires the PHA to go through each level in order. The effect is to cause more focus on documenting the process than the correct answer and to create some illogical outcomes. For example: EIV requires 2 paystubs and if two are not available the next form of verification (contacting third parties) is required. This is so even if a paystub has year-to-date information representing multiple paystubs. HUD should allow PHAs latitude in using the verification levels.

In 2010, HUD loaded into EIV the names of all families that were terminated from the program since 2008 and required PHAs to determine the status of each termination and to enter into EIV information about the circumstances under which the family was terminated and any amounts owed. The ability to identify previous program abuse or debts is important, but creating a retroactive workload is problematic. PHA data systems did not contemplate and therefore cannot easily (or cannot at all) present the required data. We recommend that PHAs only be required to implement this requirement prospectively, rather than retroactively. This uses the EIV tool to help prevent further program abuse going forward without imposing the significant retroactive workload on PHAs.

Family Self-Sufficiency

The Family Self-Sufficiency program experiences various levels of success around the country. Currently that varies depending upon some factors within PHA control and some outside of PHA control. The availability of services required by participating families has a direct effect on how successful some programs are. That will not be changed solely by HUD funding. However, the ability of PHAs and owners or sponsors of multifamily properties to provide FSS program services and coordination will be directly affected by program funding. We support the SESA provision that allows for funding of self-sufficiency coordinators.

Limited English Proficiency

We strongly support the SESA provisions that establish a task force to identify vital documents used in the program and to facilitate the translation of those documents. This will provide much needed assistance to PHAs operating HCV programs in providing accurate, well written information in a program participant's primary language. This centralized translation will provide more consistent program information nationwide and will be a great assistance to low income households participating in the program. However, the potential charges to PHAs for interpretation services at times when HUD funding in inadequate will result in unexpected, unbudgeted costs to PHAs and will affect the ability of PHAs to fund program administration.

Rent Simplification

While the provisions of SESA and the recommendations in this testimony would lead to decreased administrative costs, we believe that to significantly reduce the cost of program administration, Congress should consider moving to a tiered rent structure instead of one based on individual income and rent calculations. We propose that Congress establish tiers of rent based upon gross household income. For example, under a tiered rent structure, household's earning between 0 and 20% of Area Median Income (AMI) would pay one rent, while those earning between 20% and 40% of AMI would pay another rent amount, and so on. This would eliminate the need to do complex and time consuming calculations of income, assets, and allowances, and it would decrease the need for interim reexaminations, unless there was a substantial change in income. While this may be controversial because it may result in rent burdens increasing for low income families, it will also provide incentives for families to increase their household income.

Conclusion

The Housing Choice Voucher program provides rental assistance to millions of Americans and we thank the Committee for spending time today considering how to make the program more efficient. As practitioners, we support the goal of simplifying the program so that it can continue operating within current and future funding levels while maintaining high quality assistance to low- income families. The SESA draft that you have released is a step in the right direction and would lead to simplified legislative requirements in some cases. In other cases, however, we believe the legislation may lead to regulatory burdens that go against the intent of the legislation. We look forward to working with you to ensure that both legislative and regulatory burdens are eased. As domestic discretionary programs are cut, it is imperative that we look at how to effectively and efficiently manage federal programs with fewer resources. While Congress is reducing funding, we urge you to cut corresponding red tape. We appreciate the opportunity to testify before the Subcommittee and would welcome the opportunity to work with the Subcommittee to refine the proposed SESA legislation.

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TESTIMONY OF

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HOUSING AUTHORITY OF THE CITY OF HOUSTON, TEXAS

ON BEHALF OF THE

COUNCIL OF LARGE PUBLIC HOUSING AUTHORITIES

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON INSURANCE, HOUSING AND COMMUNITY OPPORTUNITY

COMMITTEE ON FINANCIAL SERVICES

JUNE 23, 2011

Testimony of
Tory Gunsolley, President/CEO
Housing Authority of the City of Houston, Texas
on behalf of the
Council of Large Public Housing Authorities
before the
U.S. House of Representatives
Subcommittee on Insurance, Housing and Community Opportunity
Committee on Financial Services

June 23, 2011

Madam Chair, Ranking Member and Members of the Subcommittee, my name is Tory Gunsolley and I am the President and CEO of the Housing Authority of the City of Houston, Texas (HHA). HHA serves over 55,000 residents of Houston through 16,000 vouchers and 5,300 apartments that we own.

I am appearing today on behalf of the Council of Large Public Housing Authorities (CLPHA). CLPHA is a national, non-profit membership organization committed to the goals of preserving, improving, and expanding the availability of housing opportunities for low-income, elderly, and disabled individuals and families. CLPHA's members comprise nearly 70 of the largest Public Housing Authorities (PHAs), located in most major metropolitan areas in the United States. These agencies act as both housing providers and community developers while effectively serving over one million households, managing almost half of the nation's multi-billion dollar public housing stock, and administering over one-quarter of the Section 8 Housing Choice Voucher program.

We thank the Subcommittee for holding this hearing on "Legislative Proposals to Reform the Housing Choice Voucher Program" and appreciate the opportunity to comment on the legislative discussion draft, the "Section 8 Savings Act of 2011" (SESA). The SESA draft can rightfully be considered the culmination of recent efforts to reform and improve the Section 8 and housing choice voucher programs which began in the 109th Congress and continued through the 110th and 111th Congresses with the "Section Eight Voucher Reform Act" (SEVRA). As CLPHA previously testified on SEVRA, we believe that simplification of the administration and funding of the Housing Choice Voucher (HCV) program is a key component to a broader rethinking of the landscape of public and assisted housing in this country. PHAs are swimming in paperwork. The Houston Housing Authority has over 5,600 linear feet of HCV program files. If we stacked them up, it would be over nineteen U.S. Capitol Buildings tall. We must continue to work together to ensure that families who rely on public housing and Section 8 (Housing Choice) vouchers are able to fully access and utilize these programs.

Before turning to the specifics of the SESA discussion draft and questions posed by the Subcommittee, I want to state that CLPHA is pleased that SESA retains much of what was good about SEVRA, eliminated some of what was problematic about SEVRA, and is a foundation for improving or shoring up what was needed in SEVRA.

Voucher Renewal Funding (Stability, Adequacy, and Predictability)

We were surprised the SESA draft did not retain many of the provisions from SEVRA which would provide predictability and stability to the voucher renewal funding formula. As you are aware, the shift to the "snapshot" voucher funding formula in 2004 caused a serious mismatch between funding

eligibility and vouchers requiring renewal funding. Further, continued uncertainty about determining eligibility each subsequent year undermines agencies' ability to manage their programs efficiently, as they are unable to predict the level of voucher utilization that they could support. We have seen, since 2007, how funding based on actual leasing and costs provides agencies the resources needed to increase leasing and help additional families. We are slowly recovering vouchers lost to the previous policies. With a renewal formula reflecting actual PHA needs placed in permanent statute, rather than in annual appropriations acts as is currently the case, PHAs will have renewed confidence in the predictability of their funding. A stable and reliable funding formula will provide predictability for housing authorities and landlords alike. They will be able to plan for the future, taking steps to increase utilization, reduce costs, eliminate inefficiencies, and improve service delivery.

CLPHA strongly recommends that the voucher renewal funding language previously found in SEVRA be included in SESA.

Reserves and Use of Funds

We were pleased to note that SESA retained protection of reserve HAP funds. An adequate and stable reserve is the bedrock of any well-run enterprise. Housing authorities serving large metropolitan areas must often deal with fluctuations in the number of landlords, the cost of rent, and other market factors beyond their control. While we would prefer that agencies always be able to retain their full accumulated reserves in order to support leasing in their communities, we appreciate the protection of a minimum of six percent of the current year's allocation, prior to proration. In addition to this protection, we recommend that the bill allow additional protections of reserves of PHAs that have defined plans, which require higher reserve levels, to increase leasing. Given their level of unspent funds, some PHAs have taken steps to increase their voucher utilization levels. They have made commitments in their communities to increase leasing by a certain percentage or house a certain number of additional families. Large offsets could derail such plans, even if the PHA is making progress towards their goals.

Additionally, CLPHA had worked diligently to include clarifying language in the SEVRA bill that would ensure any agencies participating in the Moving To Work (MTW) program would be funded according to their agreement, subject to any pro rata adjustment. MTWs rely on their reserve balances as set out in their plans and agreements to leverage funds for redevelopment and revitalization projects. Allowing their funding to be offset by their reserves would severely undermine the goals of the MTW program. HUD has recognized this fact by exempting MTW voucher funding from offset provisions to meet Congressionally-mandated rescissions (see PIH 2009-13, PIH 2008-15). We suggest restoring the SEVRA language that clarifies that MTW agencies shall spend their reserves in accordance with their program agreements.

Finally, CLPHA has long advocated eliminating the authorized-voucher cap on leasing. We are pleased that SESA allows leasing in excess of authorized levels, with renewal funding if the additional vouchers are funded through the current-year allocation of funds.

Project-Based Assistance

The SESA draft eliminated most of the provisions from SEVRA concerning PHA project-based assistance except for a small section on contract terms.

We urge the inclusion of the provisions from SEVRA that allows PHAs to project-base vouchers in their own buildings, as part of a public housing redevelopment, without going through a competitive process. Including this provision would eliminate a significant administrative burden that has, in the

past, kept PHAs from being able to commit project-based vouchers in a timely fashion. Time is often of the essence in redevelopment deals, and having this provision would facilitate and expedite project-basing of vouchers. Thus, this provision would not only help increase the affordable housing supply using tenant-based resources, but also add to the supply of deeply subsidized hard units for communities that need them.

We also urge the restoration of permission for site-based waiting lists. PHAs have been using project-based assistance to serve the needs of special-needs populations in their communities, but as they try to target those local needs, many are having to revisit the process of revising their global waiting list preferences repeatedly. Due to the current regulations they have to notify each person on the global waiting list about the new preference for the project-based preference. This involves thousands of letters and hundreds of hours of staff time that is not needed, as often the supportive services provider or non-profit partner already have clients in need. Further, in order to fill project-based units, in which many families may not have an interest, the PHAs have to contact all those who are eligible from the larger waiting list. Managing the waiting list thus becomes an increasingly complex process with a great deal of unnecessary administrative burden.

Finally, we strongly urge the Subcommittee to expand the flexibility of PHAs to use project-based vouchers to leverage private investment for the preservation of affordable housing. Specifically, we support significant increases in the percentage of its Section 8 vouchers that a PHA may use for project-basing and in the number of vouchers that may be project-based in individual buildings. Again, project-based vouchers have become an essential tool for PHAs' efforts to meet their local community needs, particularly with populations that require the availability of ongoing supportive services. Increasing the resources that can be used for this purpose can play an important role in preserving affordable housing and efforts to end homelessness and serve other vulnerable populations. In addition, we support including language in the bill that would permit owners of project-based voucher projects to use site-based waiting lists, as is already permitted for public housing mixed-finance projects. This authorization will facilitate the ability of PHAs to work with private owners and investors on project-based voucher developments. In addition, we support the language in the bill that would extend the maximum term of the Section 8 contract from 15 years to 20 years, which will also encourage private investment.

HCV Program Administrative Fees

HCV Administrative Fees are funds provided by the U.S. Department of Housing and Urban Development (HUD) to PHAs for the costs of administering the HCV Program. While the name "Administrative Fees" may be somewhat pedestrian and unimaginative, it belies the absolutely critical aspect of a most important part of the voucher program. Without Administrative Fees, the housing voucher program cannot work.

Administrative Fees pay for the statutorily mandated functions of the voucher program which include: determining and certifying voucher-holders' income eligibility; inspection and reinspection of units; ensuring that housing units meet Housing Quality Standards; initial and on-going assessment of rent reasonableness in comparison to local area markets; providing for voucher portability outside a PHA; and the on-going, daily, basic functions of running a tenant-based housing assistance program. These activities include: establishing procedures and protocols in accepting applications for assistance; establishing, maintaining and selecting applicants from a waiting list; briefing participants on voucher program rules and procedures; issuing vouchers; assisting with housing searches; leasing units that have passed inspection and rent reasonableness tests; paying landlords; processing moves (including issuance of new voucher, new inspection, new rent reasonableness test, etc.); enforcing

rules; providing tenants with due process of informal hearings; reporting to HUD; producing and updating plans required by HUD; landlord outreach; and general customer service and quality control.

For example, the Houston Housing Authority uses the vast majority of its administrative fees to perform more than 35,000 inspections, 20,000 reviews of family income, and 25,000 rent calculations annually. Changing the frequency and length of those three items will help us be more efficient.

The administration of voucher awards for special populations such as Veterans' Affairs Supportive Housing (VASH) vouchers, Family Unification Program (FUP) vouchers, and Non-Elderly Disabled (NED) vouchers all require additional coordination with partners and service providers, which would be paid for with Administrative Fees. PHAs that have adopted certain policy goals, such as deconcentrating poverty or addressing homelessness in their community, and/or who have established partnerships with local developers to increase the supply of quality low-income housing through the project-basing of HCVs would also use Administrative Fees to cover these additional costs.

Some of the most staff-intensive and costly activities paid for with Administrative Fees are fraud investigations and income verifications for rent calculations and recertification. Some changes that could streamline administrative processes are already included in SESA: options for triennial recertifications for fixed-income households and biennial unit inspections. This draft bill makes some good progress in reducing administrative burdens with its increase in the asset cap, and move to less frequent inspections and interim recertifications. It is worth noting that many similar innovations have already been tested for years at MTW agencies throughout the country. Many MTW agencies have adopted less-frequent recertifications for their fixed-income households and have found that it not only produces less stress for their residents, but also significantly reduces their administrative burden.

The draft discussion bill's proposal to reduce the frequency of re-certifications for families with fixed income would be less impactful than the reforms to inspections. Although housing authorities would be required to verify income less frequently for these families, revised rent calculations would often still be necessary due to the following events: family moves, changes in rent, modified payment standards, modified utility allowances, and the inflationary adjustment for fixed income families. Each time a rent calculation is performed by a housing authority, a HUD-form 50058 must be completed and transmitted to HUD, correspondence must be sent to the family and property owner, and the agency's financial payment system must be updated. As a result, the administrative burden for housing authorities and participating families would not be significantly reduced by provisions related to the frequency of re-certifications included in the discussion draft of this bill.

The Code of Federal Regulations that applies to PHAs is over 1500 pages long. Many hundreds of those pages are well known by the administrators of these programs and too much time is wasted on ensuring compliance with labyrinthine rules, rather than the delivery of high quality, affordable housing and supportive services. Even the changes proposed in this bill may be somewhat thwarted in practice because of the labyrinth of other regulations that will come into play.

Some MTW agencies have been able to streamline their inspection process, grouping inspections geographically to save travel time and costs. By allowing housing authorities to use a risk-management approach to conducting inspections, rather than tying them to arbitrary annual deadlines, the SESA draft will help relieve housing authorities of a sometimes redundant administrative burden, while still ensuring that families are housed in safe and decent housing. Also, allowing housing authorities to rely on inspections from governmental agencies further simplifies a complicated inspection process and allows localities to rely on one standard for guaranteeing the suitability and

safety of area housing. CLPHA testified in support of these changes in SEVRA and we support them in SESA.

Additional ways of streamlining administrative processes and reducing administrative burden and costs include additional simplification of the rent calculation process (even beyond what is included in SESA), allowing flexibility with regard to re-inspections, and allowing the development of local wait-list policies, including the use of site-based waiting lists, as mentioned above. These are all areas in which Moving to Work agencies have been developing local policies, to meet their statutory objective of "reducing cost and achieving greater cost effectiveness in Federal expenditures." Congress would do well to look to MTW agencies for further ideas about administrative streamlining.

Family Self-Sufficiency

The Family Self-Sufficiency (FSS) Program has been an important and effective tool for housing authorities to help their residents increase their incomes and improve their lives. CLPHA supports the reconciliation of FSS policy details across the housing programs, but has concerns that maintaining distinct funding processes undermines that effort at simplification.

Moving to Work

CLPHA has long been a strong supporter for a permanent expansion of a Moving to Work (MTW)-like program for any interested housing authority. The premise of MTW is simple, allow PHAs to develop locally-driven housing plans in concert with their residents and community stakeholders that respond to local housing needs. The current 35 MTW agencies administer over 131,000 public housing units and 307,500 Housing Choice Vouchers, or more than 12.5 percent of the current traditionally PHA-operated housing stock, in addition to operating local housing programs that fall outside the bounds of traditional models. As CLPHA previously testified, a review of the current MTW agencies show that they have raised the standard of housing services, used program flexibility to create jobs, added affordable housing stock, served more households, and helped families build savings. They have also shown how to operate and manage affordable housing in ways that is accountable to their residents and local communities without needless and time-consuming bureaucratic measures that add costs but no value. MTW is a laboratory for local innovation and more housing authorities should have access to these tools.

Instead of asking themselves "what do we need to do to make sure we score high on our next Section 8 Management Assessment Plan (SEMAP)?", MTW agencies ask themselves, "where are the most profound needs in our community and what are we going to do to address them?" This fundamental shift in thinking has allowed MTW agencies from Cambridge, MA to Atlanta GA to Seattle WA to solve problems in their communities more efficiently, more rapidly and with greater community participation than most non-MTW agencies could even imagine.

The strength of MTW is that it allows PHAs to customize their services to meet the unique challenges their communities face. In the northwest and northeast, MTW PHAs are engaging with homeless service providers in ways unimaginable outside of MTW. Comprehensive, long-term services are being paired with PHA redevelopment efforts to create dynamic, place-based service centers where the most vulnerable households receive not just housing, but the intensive supports they need to keep from slipping back into homelessness.

These are just a few examples of the amazing work going on at MTW agencies.

However, we are aware that the MTW program is controversial among many housing advocates and engenders strong, negative and emotional reactions due to misinformation and mischaracterization of the program's objectives, accounting and results. Whereas previous versions of SEVRA included an expansion of MTW, we are hopeful that as SESA is perfected, a path forward for an expansion of MTW will also be considered.

Public Housing Conversion

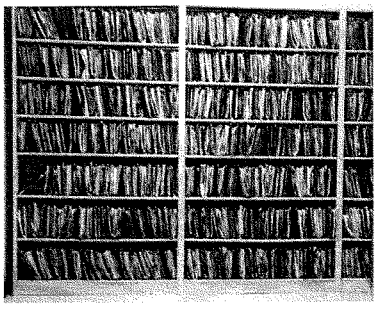
CLPHA's objective is straightforward. As MTW helps housing authorities in their public and affordable housing preservation strategies, we are seeking to preserve the existing housing stock through the funding flexibility and funding leverage that MTW offers. For this reason, we have also proposed and supported a conversion option for public housing units to project-based vouchers or project-based contracts which would enable greater funding flexibility and leveraging. While this proposal is not the subject of today's hearing, we believe this type of conversion option coupled with a loan guarantee or other federal credit enhancement—perhaps offered by the Federal Housing Administration—could be fashioned in a way to preserve this important affordable housing stock. Structuring such credit enhancement alongside the conversion option, Congress could maintain long-term use restrictions on the property, and—in the rare but, unwelcome event of a mortgage default—prevent the loss of public housing assets. Additionally, as we have previously testified, Congress should explore the possibility of coordinating various forms of housing assistance, such as linking the award of project-based vouchers for public housing preservation activities with the award of low-income housing tax credits.

Closing

In closing, even as we work to improve the housing voucher program, we must not forget the continuing challenges faced by the shortage of public and other affordable housing. There is still an urgent need to preserve and increase the supply of housing units specifically dedicated to those most in need. Once again, CLPHA urges this Committee to work to provide additional resources and tools to enable PHAs to preserve our public housing stock and increase the supply of housing affordable to very low-income households.

We appreciate the Subcommittee's perseverance and willingness to continue to tackle the reforms needed in the Housing Choice Voucher Program. We look forward to working with you and HUD on making additional improvements to the program and perfecting this legislation.

Thank you again for this opportunity to testify.



Written Statement of Assistant Secretary Sandra B. Henriquez
Public and Indian Housing
U.S. Department of Housing and Urban Development
Insurance, Housing and Community Opportunity Subcommittee
House Financial Services Committee
June 23, 2011

Chairwoman Biggert, Ranking Member Gutierrez and members of the Subcommittee, thank you for allowing me to testify on the discussion draft of the Section Eight Savings Act (SESA). HUD is committed to making our programs more efficient for housing operators, reducing costs at the local and agency level and reducing administrative burdens on tenants, Public Housing Agencies (PHAs) and owners. This draft legislation includes a number of valuable proposals that would help achieve those goals, and the Department looks forward to working with the Subcommittee to further refine the bill, taking into account recommendations in HUD's FY 2012 budget submission.

HUD's rental assistance programs -- the Housing Choice Voucher program, the project-based Section 8 program and public housing -- serve over 4 million families nationwide. The annual median income of families residing in HUD-assisted housing is $10,200. Over half of these families are elderly. HUD remains committed to ensuring that these families have safe and decent housing options and we are grateful for the efforts by the members of the Subcommittee to help ensure full funding of the Section 8 program in FY2011.

Because HUD is fully committed to the families we serve, we want to find ways that will reduce administrative burdens on the PHAs and multifamily owners that operate our programs and expand housing opportunities to the working poor. That is why we included changes in our FY2012 budget request to help meet these goals, including the following specific actions:

- Modify recertification of income for families on fixed-incomes;
- Revise the elderly and disabled standard deductions to make it easier to calculate rent;

- Create a definition of "extremely low-income" under the U.S. Housing Act to increase access for housing assistance programs to working poor families in rural areas;
- Authorize PHAs to approve rents up to 120% of fair market rent for families with disabilities instead of waiting for HUD HQ approval; and
- Allow HUD to undertake a rent policy demonstration in order to test various rent structure to promote self-sufficiency, increase income and reduce administrative burdens on PHAs.

Taken together, these changes will save $1 billion over five years in HUD's three largest rental housing assistance programs. We are pleased that some of these proposals are in the discussion draft of SESA, and, again, we look forward to discussing with the Subcommittee the inclusion of additional proposals in SESA as the bill moves forward.

Streamlining Inspections and Rent Calculations

SESA includes many provisions that will streamline administrative burdens on PHAs and landlords while improving access to safe, decent and affordable housing for tenants. For example, the bill allows for biennial housing inspections instead of annual inspections, and allows PHAs to use inspection certifications from other state or federal housing assistance programs to meet inspection requirements for tenants. These changes will provide PHAs with the flexibility to concentrate their inspection resources on the more marginal and higher-risk units while maintaining a rigorous standard for the condition of the properties.

The draft legislation also proposes to reform the current income and rent calculation systems. The current systems are overly complex and administratively burdensome, and SESA would represent a significant improvement by allowing PHAs to defer the income re-examination for families with fixed incomes for up to 3 years.

Additionally, the draft allows PHAs to use income data collected from other federal means-tested programs to determine families' income. This will encourage information sharing between PHAs and other state and federal assistance providers and reduce staff time in determining eligibility and income. We hope that we can continue to work with the Subcommittee and our partners in USDA to include language that would specifically allow for information sharing between PHAs and state Supplemental Nutritional Assistance Program (SNAP) agencies.

All of the program activities outlined earlier are paid for from administrative fees and represent some of the most costly and staff intensive elements of administering the HCV program. Adequate administrative fees are necessary to maintain an effective level of service delivery, provide safe units for families, and ensure that the right benefits are going to the right people. Establishing a reasonable administrative fee is complicated by the fact that the last comprehensive study of administrative fees was performed in 1988, and costs, technology, and program responsibilities have changed dramatically since that time. HUD is conducting an in-depth time and motion study on the cost necessary to administer the voucher program effectively. The results of this study will not only justify a viable and supportive fee funding going forward , but will allow HUD to analyze all aspects of voucher program administration in order to reduce and simplify PHA administrative

responsibilities. HUD anticipates completing the full study in 2014, but having preliminary results in 2013 to help inform funding discussions.

In addition to this study, HUD is currently moving towards a more efficient and accurate way of collecting data from PHA Housing Choice Voucher programs. Under our Information Technology modernization initiative, we are aiming to replace the 20-year old legacy system with the Next Generation Voucher Management System. The system will support enhanced budget planning and forecasting capabilities, improve grantee reporting and data integrity and ensure that the programs comply with the requirements of the Section 8 voucher modernization legislation.

The provisions in SESA combined with the other activities HUD is undertaking internally to streamline administrative program requirements and improve data collection will help housing providers and HUD deliver services faster and more efficiently to low income families.

Voucher Funding

SESA includes provisions that would establish a reserve minimum at PHAs for the Housing Choice Voucher program. This is important because it would give PHAs a set-aside so they can continue to provide housing assistance in the event of a natural disaster or other unforeseeable circumstance that could compromise capacity. However, it is critical for the voucher renewal formula to be based on actual leasing and costs data, as well as, providing HUD the authority leasing rates, as well as the ability to both offset and reallocate excess reserve funds to PHAs. As outlined in our 2012 Budget proposal, those re-allocated funds would first be used to negate a downward proration and be applied to all PHAs. This proposal would reward the PHAs that are high performers and serve additional families by reallocating available budget authority to those PHAs that will put the funding to use. We urge the Subcommittee to provide this authority in SESA..

Family Self Sufficiency

The devastating effect that the economic downturn has had on the housing circumstances of poor Americans was underscored in early February, when HUD released results from its Worst Case Housing Needs study. HUD defines worst case needs as: renters with very low incomes who do not receive government housing assistance and who either pay more than half their income for rent, live in severely inadequate conditions, or both. The report showed an increase of 20 percent in worst case needs renters between 2007 and 2009 -- the largest increase in worst case housing needs in the quarter-century history of the survey, and caps an increase of 42 percent since 2001. HUD rental assistance programs serve extremely low income families and homeless populations. The demand on our rental programs has been steadily increasing as incomes have dropped and homes have been lost to foreclosure.

HUD has been working to help families living in our public housing and using HUD's Housing Choice Voucher program to achieve economic self-sufficiency and reduce their dependence on federal assistance programs through the Family Self Sufficiency (FSS) program. FSS program participants are provided with training and counseling that enables them to increase their earned income and decrease or eliminate the need for rental assistance. As a result, rental assistance resources would be freed up for other needy families.

In FY2010, there were 50,000 tenants of public housing and the Housing Choice Voucher program enrolled in the Family Self-Sufficiency programs and 53 percent of participants that had been enrolled in the program for at least one year reported an increase of earned income since enrollment. Additionally, a HUD report found that between 2005 and 2009, the average annual income for FSS graduates had increased from $19,902 to $33,390. An earlier HUD analysis of the program found that FSS participants experienced a 72 percent increase in their median income during participation in the FSS program while a similar group of non-FSS participants increased their median income by only 36 percent during the same period.

HUD applauds your leadership, Chairman Biggert, on the Family Self Sufficiency program, and in particular your recognition that it is an important tool for HUD-assisted tenants to increase wealth and move to self-sufficiency. HUD supports the effort to expand the program to tenants in our project-based Section 8 properties and would like to continue to work with the Committee to streamline program administration and funding at the PHA and federal level.

Increasing Access to Quality Housing

The project-based voucher program was created to expand housing opportunities, promote mixed-income development and provide tenants with a mobility option. SESA includes an important provision to encourage long-term viability of properties utilizing project-based vouchers by allowing contracts to be renewed for up to 20 years.

HUD believes additional changes should be made to the project-based voucher program that would expand housing options for homeless, disabled and elderly populations as well as make the program easier for PHAs to utilize. These changes include:

(1) Changing the project-based limitation from 20% of budget authority to 20% of a PHA's authorized units. This change will greatly simplify both HUD and PHAs' ability to track the use of PBV authority.
(2) Providing PHAs with the flexibility to increase the number of project based units by an additional 5% in order to serve homeless families, disabled persons that require supportive services, and to provide project based voucher assistance for units located in areas where tenant-based vouchers are difficult to use.
(3) Allowing PHAs to establish guidelines and criteria for multifamily owners to create and maintain site-based waiting lists for project-based voucher projects.

Another area that HUD has been focusing on is the preservation of HUD Rent Supplement and Rental Assistance Payment (RAP) properties. These are older properties with rental assistance contracts that do not have any option for renewal, unlike our project-based rental assistance contracts. We foresee a spike in contract expiration between now and 2013, affecting roughly 6,000 units. One way to continue to provide rental assistance to the low-income tenants and continue to keep these properties affordable for the long-term would be to enable HUD to project-base tenant protection vouchers for these properties.

We believe these changes, in addition to the 20 year renewal provision in SESA, will make the project-based voucher program more effective at creating and preserving long-term affordable housing, and we support including the changes in SESA.

Moving to Work Program

In your invitation letter, you requested that witnesses discuss the Moving- to -Work program. The Moving –to-Work program is a demonstration program for public housing agencies that provides them the opportunity to design and test innovative, locally-designed strategies to use Federal dollars more efficiently, help residents become employed and self-sufficient and increase housing opportunities for low-income families. There are currently 35 MTW agencies. Our FY2012 budget request includes a provision that authorizes the Secretary the discretion to add three additional agencies to the MTW program, should they meet certain criteria.

MTW agencies are allowed to combine their public housing and Housing Choice Voucher funds and use them in a more flexible manner to serve the needs of their tenants, to improve their housing stock and to better administer their programs. To participate, MTW agencies are required to to develop detailed plans that describe their demonstration initiatives and define metrics for measuring outcomes. They must ensure that seventy five percent of the families they assist are very low-income (i.e. at or below 50 percent of annual median income), must serve substantially the same number and mix of families as they did when they entered the demonstration, meet housing quality standards and must comply with all other Federal requirements that are not authorized for flexibility or not part of their demonstration plan. MTW are also required to submit annual reports that document outcomes and provide additional information on households served and the use of their combined funds. As required by the FY2010 Appropriations Act, HUD issued an interim report to Congress. The report indicates that while there have been limitations to evaluating the outcomes of MTW because of weak initial reporting requirements and a lack of a research design, MTW agencies have qualitatively demonstrated innovation and achievement in preserving public housing with project-based assistance, streamlining housing assistance to reduce costs without negatively impacting the residents, encouraging self-sufficiency through a variety of rent reform structures and developing local self-sufficiency programs and service enriched housing. The conclusion of the report also suggests that program expansion should only proceed if the newly admitted PHAs structure their programs for high quality evaluations.

In addition to this report, HUD will be seeking an independent contractor to conduct a third-party evaluation of the MTW program.

While the current draft of SESA does not include provisions on the MTW program, it does include authorization for a Rent Policy Demonstration program that will enable HUD to test changes in rent policy that would meet the goals of encouraging families to obtain employment, increase incomes and achieve economic self-sufficiency while reducing administrative burdens and maintaining housing stability. HUD envisions that this demonstration will involve a limited number of families, but could include families receiving assistance from Moving-to-Work agencies. The authorization of this demonstration program will allow HUD to test how policies like family self-sufficiency

participation, income disregards and different rent structures can be effective tools in promoting economic self-sufficiency. This provision is similar to HUD's budget request and will continue to work with Committee on innovative ways to help HUD-assisted tenants build their assets and create rent structures that can meet the needs of our low-income families.

Fair Market Rents

Finally, I would like to briefly discuss Section 10 of SESA that addresses fair market rent publication.

HUD's Office of Policy Development and Research is responsible for establishing and publishing fair market rents annually. Fair Market Rents (FMRs) are primarily used to determine payment standard amounts for the Housing Choice Voucher program, to determine initial renewal rents for some expiring project-based Section 8 contracts, to determine initial rents for housing assistance payment (HAP) contracts in the Moderate Rehabilitation Single Room Occupancy program (Mod Rehab), and to serve as a rent ceiling in the HOME rental assistance program. HUD annually estimates FMRs for 530 metropolitan areas and 2,045 nonmetropolitan county FMR areas.

The FMR changes included in SESA provide the department the ability to better utilize the most current American Community Survey (ACS) data available while also better aligning the publication of FMRs with the funding cycle of PHAs. These provisions would also eliminate the requirement that proposed FMRs be published, but require that HUD propose substantial methodological changes in advance and allow interested parties to request changes after final FMRs are published. HUD will continue to work with the Subcommittee on this issue to ensure that the FMRs are published in a timely manner, reflecting the most up to date data available.

Conclusion:

Thank you Chairwoman Biggert for inviting me to testify on behalf of HUD on the draft of the Section Eight Savings Act. Overall, this discussion draft includes key reforms to simplify administrative process for housing providers, reduce costs in HUD's rental assistance programs and increase opportunities for HUD tenants to achieve self-sufficiency. We appreciate the work that the members of the Subcommittee and their staffs have devoted to preparing this legislation, and the collaborative approach they have taken in their interactions with HUD on the draft. We hope to will continue working closely with the Subcommittee as the bill moves forward.

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Testimony of

P. Curtis Hiebert, Past President

The Public Housing Authorities Directors Association

before the

House Financial Services Committee

Subcommittee on Housing and Community Opportunity

"The Section 8 Savings Act of 2011"

Rayburn House Office Building
Room 2128

Thursday, June 23, 2011
9:30 a.m.

Chairperson Biggert, Ranking Member Gutierrez and Subcommittee members, I appreciate this opportunity to offer testimony concerning the Section 8 Savings Act of 2011 (SESA) on behalf of the Public Housing Authorities Executive Directors Association. I am Curt Hiebert, PHADA's Immediate Past President and the Chief Executive Officer of the Keene (NH) Housing Authority (KHA).

PHADA was founded in 1979 and represents over 1,900 housing authority chief administrative officers. A significant proportion of PHADA members administer small or medium sized agencies that operate a mixture of assisted housing programs. Some operate public housing, some the Housing Choice Voucher program, many operate both programs, and a number of members operate assisted housing financed with HOME, CDBG, LIHTC, Department of Agriculture or other non-federal support.

The KHA was one of the original 24 Moving to Work (MTW) Demonstration sites, and continues to operate its entire Public Housing and Section 8 programs under that program. It has made dramatic differences in our community. Our participation in MTW has allowed us, our residents and our community to develop a program that provides for the neediest of our region, providing stability to those on fixed incomes and a system that encourages families to move towards self-reliance.

In 1999, 47% of the heads of household at the KHA were working full time. Last year, 64% were working full time. In that same period of time, average income for families increased by over 30%. In part, this was because our system did not discourage increases in income, but actually rewarded it. Our system of rent steps does not penalize rises in income, but instead our program encourages job skills, education, financial competency and ambition.

At the same time, the neediest are protected by our "Safety Net" provisions in our program. Our program will NOT work everywhere, but the key is that by utilizing the flexibility contained in MTW, we were able to make a program that is good for Keene, New Hampshire, our residents and our stakeholders.

Concerning SESA, as with past bills, we believe that SESA includes elements helpful to housing authorities, but also includes problematic elements. However, the budget environment has changed dramatically in the past year, and I believe new fiscal constraints radically shift the issues authorizing legislation such as SESA must address.

While deregulation, local flexibility and reductions in administrative overhead have been attractive alternatives in the past, they have become matters affecting preservation of the inventory of deeply assisted housing programs as well as the survival of and maintenance of capacities at local housing authorities. Federal interest in maintaining affordable housing initiatives in

states and localities drive PHADA's efforts to simplify and reform federal housing programs with an eye to cost reduction and revenue generation. In addition to elements of SESA, PHADA urges the committee to consider PHADA's and NAHRO's Small Housing Authority Reform Proposal (SHARP) and expansion of the Moving to Work (MTW) demonstration for inclusion in authorizing legislation.

The Section Eight Savings Act

Inspections:

PHADA supports discretion for HAs to begin short term housing assistance while owners complete repairs to non-life-threatening HQS deficiencies. The provision should benefit participants' and owners. PHADA also supports HA discretion to conduct HQS inspections every 2 years, targeting inspection resources on housing and owners most prone to HQS difficulties. While this discretion may allow some HAs to reduce overhead, many PHADA members indicate that such discretion will not result in significant burden reductions while preserving the quality of subsidized housing. Defining other federal, state or local housing assistance program housing quality inspections as meeting the Section 8 inspection requirement may avoid duplicative and wasteful inspections and help reduce the program's administrative burden.

PHADA understands the intentions of provisions concerning abatement of Housing Assistance Payments (HAP) when HQS deficiencies in HCV subsidized housing are not remedied. But, these new provisions may result in vouchers remaining unutilized for the better part of a year while landlords attempt to affect repairs and participants search for alternative housing. This abatement of HAP may also lower average voucher costs, reducing an HA's eligibility for renewal funding in the subsequent year.

PHADA also appreciates the intentions of providing relocation assistance. However these resources could be used to increase voucher utilization. Relocation also introduces complexities and the risk that HAs providing relocation support to participants will lose renewal funding in a subsequent year due to declining average costs or unit months leased.

Rent Reform and Income Reviews:

PHADA supports a number of proposed provisions that offer HAs opportunities to reduce administrative overhead and deliver housing assistance more efficiently and effectively. On balance, we believe that the provisions concerning reviews of income are helpful despite our misgivings with new statutory standards for interim re-certifications that are currently subject to local discretion.

Some new income exclusions and deductions will constrain HAs' rent revenues. In some years, HAs have been able to collect only 88 percent of the federal Operating Subsidy due while most HAs are able to collect over 95 percent of rents receivable. In some years, moving public housing revenue from rent to Operating Subsidy has had the effect of reducing that revenue by approximately 10 percent.

PHADA supports a demonstration of alternative rent structures. An investigation of the real impacts of these alternatives on households may inform the longstanding policy debate over rents in deeply assisted housing.

Use of Voucher Funds

Inclusion of renewal funding protocols in authorizing legislation is helpful, and PHADA supports provisions allowing for some overleasing. Provision for adequate program reserves in excess of 6 percent of annual allocation will also help agencies weather unanticipated changes in costs and voucher turnover.

Family Self Sufficiency

PHADA supports a voluntary Family Self Sufficiency Program also included in the PHADA and NAHRO SHARP proposal discussed below. Expansion of the program to include multifamily properties is a commendable goal. However, PHADA is concerned with the impact of such expansion on the resources available to support FSS coordinators, given the severe budget constraints assisted housing programs will face in coming years.

Questions Posed by the Subcommittee:

Uses of Administrative Fees to Operate the Voucher Program:

The Housing Choice Voucher program is administratively complex. Programs, program sponsors and the jurisdictions they serve are diverse, and their uses of administrative fees for program operations reflect this complexity and diversity. HUD has used $2 million to engage ABT Associates to conduct a study of Housing Choice Voucher administrative costs and will conduct that study over the coming 2 years. Part of that research involves a time and motion study of activities involved in administering an HCV program. The department has identified approximately 40 tasks that it hopes to assess in this process.

Several categories of program administrative activities consuming administrative resources include:

1. Inspections,
2. Eligibility and recertification.
3. Rent reasonableness,
4. Landlord outreach,

5. Information technology, and
4. Monitoring utilization

Each of these categories may be streamlined in some way, but HUD's fee study will probably identify opportunities based on study observations.

Impacts of SESA Provisions on Administrative Burdens:

SESA is a complex bill. It includes provisions that both reduce and increase administrative burdens. Changes to inspection and recertification requirements and changes to the standards for medical and child care deductions all may reduce burdens associated with assuring housing quality and calculating participants' income and rent. Changes concerning suspension and abatement of housing assistance payments and provisions for relocation of participants where housing fails to meet quality standards tend to increase administrative burdens. On the whole PHADA believes that SESA offers modest relief to assisted housing program sponsors. With current and future funding constraints in mind, PHADA believes that the health of these programs will depend on more ambitious efforts to reform housing programs such as PHADA and NAHRO's SHARP proposal and an expansion of MTW.

Family Self-Sufficiency (FSS) Program Effectiveness and Impacts of Proposed Reforms:

Some PHADA members report operating very effective FSS programs, but the quality of outcomes is very dependent on a large number of variables not under agencies' control. PHADA's reactions to changes in the FSS program are described above. In general, we appreciate inclusion of a concept from PHADA's and NAHRO's SHARP proposal that FSS programs ought to be voluntary. Although the existing FSS program has benefited a number of individual households, it is not clear that the program has had broad impact on the general population of assisted households to date. Marginal impacts of the changes proposed in SESA will become apparent over time after enactment.

Moving-to-Work (MTW) Program Impacts:

PHADA believes that MTW has offered participating agencies the most powerful tool to improve provision of affordable housing and services to participating households and applicants in their jurisdictions in the last decade or two. What has happened in Chicago, for instance, is nothing less than revolutionary. By 2009, the Chicago Housing Authority has used its MTW discretion to renovate or replace over 17,000 public housing units of a planned renovation of 25,000 units.

The Urban Institute prepared an assessment of the program several years ago and found that, although the program was not implemented to permit a robust evaluation of outcomes, participating agencies used their discretion to try a

number of novel policy alternatives and that it found no evidence that residents were harmed by these initiatives. More recently, HUD has published a report by its Office of Policy Development and Research that found that MTW had been an effective platform for policy experimentation that, with some modification (particularly concerning evaluation), deserves to be expanded to double its current size.

MTW has enabled several very large housing authorities to transform their stock of assisted housing and offer residents significant improvements in their living environments. The Atlanta Housing Authority has completed development of 3,742 units in mixed income mixed finance projects.

My smaller agency has used its MTW discretion to implement rent and subsidy systems that have encouraged families to gain employment and increase earnings. We have also assured the long term viability of our assisted housing stock by converting that stock to project based assistance, using the new revenue stream to leverage funds for recapitalization. In the process we have significantly expanded the assisted housing available in our jurisdiction.

The Charlotte Housing Authority has established a goal of expanding the assisted housing stock by 1,000 units in 10 years. In its first year of implementation in 2009, it successfully developed 110 additional assisted housing units. The Lawrence Douglas Housing Authority used MTW to merge its tenant based and project based programs to increase program efficiency. The King County Housing Authority reduced the frequency of its housing inspections for landlords with a history of successful inspections, flexibility that has now made its way into proposed legislation such as SESA. The Cambridge Housing Authority modified its rent structure, implementing a tiered system with a $50 minimum rent. A study of Cambridge by Quadel Consulting Corporation found that the new rent system did not adversely affect residents' ability to pay rent and that many residents showed significant increases in earned income.

Comments on HUD's Methodology for Setting Fair Market Rents (FMRs) and Challenges to Participants over Publication date of HUD Program Income Limits?

The HCV program will always require limits on the cost of housing occupied by participants, those limits will always be subject to some debate, and will always constrain participants housing choices. Currently, the program includes a number of mechanisms to provide some flexibility to the range of housing available to participants (e.g. payment standards at 110 percent of FMRs, exception payment standard at 120 percent of FMRs, the possibility to set FMRs at the 50th percentile of the local rental housing market rather than the 40th percentile). Even with these flexibilities, some programs in very tight housing markets suffer from low success rates (the proportion of voucher holders who end up participating in the program).

HUD has embarked on a demonstration of Small Area FMRs that will set FMRs for Zip Code Tabulation Areas (ZCTAs)(zip codes) rather than for Core Based Statistical Areas (CBSAs) in metropolitan areas. Some year ago, the department changed from using Metropolitan Statistical Areas (MSAs) for FMR setting to the much larger CBSAs that include suburban and rural counties as well as urban areas. That change risked depressing FMRs with the inclusion of counties remote from an area's urban core. PHADA fears that small area FMRs based on zip codes (ZCTAs) will substantially increase the administrative burden of administering the HCV program and will risk inflating FMRs and HCV costs much more rapidly. Dallas, TX where HUD has begun this demonstration has changed from using one set of FMRs for the metropolitan area to instead using FMRs and payment standards for 88 zip codes.

The Small Housing Authority Reform Proposal (SHARP)

PHADA and NAHRO have collaborated to propose significant reforms that would benefit approximately 80 percent of housing authorities that operate approximately 20 percent of public housing and Housing Choice Vouchers and receive only approximately 10 percent of federal funding for those programs. The associations have prepared legislative language entitled "The Small Public Housing Authority Opportunity Act," that would implement proposals to:

1. Simplify HUD's oversight of small housing authorities under the Public Housing Authority Assessment System (PHAS) and the Section 8 Management Assessment Program (SEMAP),

2. Provide administrative and regulatory relief for small housing authorities,

3. Involve some small housing agencies in a demonstration of alternative rent structures for public housing and Housing Choice Vouchers, and

4. Provide small agencies with new development and operating opportunities that can reduce costs, increase revenues and improve service delivery for affordable housing participants, residents and applicants.

The HUD commissioned report by IBM in 2008 entitled, "Rebalancing HUD's Oversight and Small PHAs' Regulatory Burdens." Among its conclusions and recommendations, the study indicated that, ""...HUD's level of effort for small PHAs is grossly disproportionate to the level of risk, total units involved, and subsidy dollar volume." The report urged exactly the kinds of initiatives PHADA and NAHRO have included in SHARP.

Oversight Reform

SHARP proposes to simplify PHAS and SEMAP by significantly reducing the number of indicators monitored by HUD and set standards for those indicators to assure intervention when performance becomes problematic but avoid unnecessary agency reporting and HUD oversight. PHAS would include 3 indicators for physical, financial and management areas, and SEMAP would include 2 indicators for inspections and utilization of vouchers or funds. The reform would ease burdens on agencies by significantly reducing the number of dimensions reported to HUD, and ease burdens for HUD by streamlining the information the department monitors concerning small agency performance.

Administrative and Regulatory Relief

SHARP will conform some standards for small agencies to those imposed on owners of properties monitored by HUD's Office of Housing. The proposal includes 7 specific administrative reforms that include

- Conforming annual plan and Section 3 requirements for small agencies to requirements imposed by HUD on property owners through the Office of Housing,
- Changing Community Service and Family Self Sufficiency from mandatory to voluntary initiatives for small agencies,
- Eliminating requirements for HUD approval of prevailing wage rates and for environmental reviews on projects valued at less than $100,000.

Rent Reform

SHARP authorizes the Secretary to conduct a demonstration and evaluation of 3 alternative rent reforms, tiered rents similar to those used in Low Income Housing Tax Credit subsidized properties, rents based on charging a proportion of gross income for rent, and the current rent structure. There has been debate about the impacts of changing rent structures on assisted households. SHARP would evaluate outcomes of a demonstration to identify potential benefits and pitfalls associated with different rent structures.

Management and Development Opportunities

SHARP authorizes 5 specific reforms that provide small agencies with additional flexibility and new opportunities to serve their communities.

- The proposal permits the fungibility of appropriations from Section 8(o), Section 9(d) and Section 9(e) of the Housing Act of 1937,
- The proposal relieves projects worth less than $250,000 from complying with Davis Bacon wage standards,
- The proposal authorizes conversion of public housing to Project Based Vouchers or Project Based Assistance, raises the proportion of an agency's HCV

inventory that can be project based to 50 percent, and authorizes the release of encumbrances on converted public housing property,

- The proposal authorizes a streamlined grant for small agency development and redevelopment and earmarks 15 percent of HOPE VI appropriations for that purpose, and
- The proposal encourages energy conserving capital investment through the formula used to fund public housing utility expenses.

SHARP promises to reduce small agencies' administrative burden, offers them opportunities for additional revenue, offers them new options to recapitalize their public housing stock, and offers HUD significant reductions in oversight requirements.

Moving to Work (MTW) Expansion:

There have been many proposals to expand the MTW demonstration from the current 35 agencies to 60, 80, 250 and even an unlimited number of agencies. Although details among proposals have differed, there appears to be some consensus to expand the MTW demonstration to allow more local agencies flexibility to better meet the housing needs in their communities.

In 2006, the Moving to Work Charter Act was introduced in the Senate. The bill would have provided permanent authorization for MTW and would have expanded the number of MTW agencies to 250 non-troubled HAs. Several versions of the Section 8 Voucher Reform Act (SEVRA) proposed to authorize a permanent version of MTW expanded to 80 agencies, 20 of which would have limited discretion. In HUD's 2008 report to Congress on the MTW demonstration, the department proposed to almost double the number of agencies in the demonstration to 60. In its report, HUD argues for MTW expansion: "MTW provides unprecedented insight into alternative methods of providing housing assistance. By prolonging the demonstration and doubling the number of participating agencies, the housing industry stands to learn even more from this unique resource." In recent years, Congress has authorized the slow expansion of the MTW demonstration, permitting the selection of a few new agencies annually.

PHADA believes that authorizing and expanding MTW will offer many more agencies an opportunity to use federal housing assistance programs to better address local needs and preferences more efficiently and more effectively.

Conclusion:

Speaking personally and on behalf of PHADA, I thank the committee for remaining engaged in reforming assisted housing programs, a complex task in the best of times. Reforms that include simplification, deregulation and local flexibility have become critical to agencies that may experience severe funding

constraints in the immediate future. SESA continues to include some elements that can help ameliorate coming difficulties.

However, with future budgets in mind, we also believe that a more ambitious approach to expanding local flexibility and discretion offers more opportunities for local agencies to serve participants and applicants best. Inclusion of SHARP or elements of that proposal, and the expansion and permanent authorization of MTW will be significant steps that help agencies weather coming storms and emerge better positioned to fulfill their mission of providing safe decent and affordable housing to low and moderate income households within their jurisdictions.

TESTIMONY OF ALEX SANCHEZ

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

ON BEHALF OF THE

NATIONAL LEASED HOUSING ASSOCIATION

BEFORE THE

HOUSE COMMITTEE ON FINANCIAL SERVICES

SUBCOMMITTEE ON INSURANCE, HOUSING AND COMMUNITY OPPORTUNITY

June 23, 2011

Chairwoman Biggert, Ranking Member Gutierrez and distinguished members of the Subcommittee, my name is Alex Sanchez and I am the Executive Director of the Housing Authority of the County of Santa Clara, Silicon Valley's housing services agency. I am here today on behalf of the National Leased Housing Association (NLHA) as its President-elect.

The National Leased Housing Association has represented the interests of housing agencies, developers, owners, lenders, housing managers and others involved in providing federally assisted rental housing for 40 years. NLHA's nearly 500 member organizations are primarily involved in the Section 8 housing programs—both project-based and tenant-based— along with the housing tax credit program and provide or administer housing for over three million households.

We commend you, Chairwoman Biggert and Ranking Member Gutierrez, for your leadership, and we thank the Members of the Subcommittee for your valuable work addressing the nation's need for affordable rental housing. We appreciate the dedication of the Subcommittee on this issue and the opportunity to present our views on the "Section 8 Savings Act" (SESA) as currently drafted.

We believe the Section 8 voucher program has been highly successful in achieving the goal of assuring decent, safe and affordable housing for low-income families and the elderly. However, as with most government programs, the longer they are in existence, the more rules and regulations are imposed that are often illogical and impose added costs. In 1998, Congress merged the two tenant-based assistance programs (Certificates and Vouchers) into one form of rental assistance termed the Housing Choice Voucher Program. This consolidation as part of the Quality Work and Housing Responsibility Act (QWHRA) was welcomed by housing agencies, landlords and recipients and has eased program administration for housing agencies. Although we believe HUD does a good job in overseeing the voucher program, other burdensome processes and procedures remain that could be streamlined. Duplicative and unnecessary administrative burdens are particularly problematic for housing agencies that have recently been faced with dramatic cuts in their fees for operating the program. Without proper compensation agencies must struggle to comply with sometime arcane processes and policies instead of devoting their stretched staff time putting needy families into decent housing.

We have been working with Congress for the last seven or eight years to build on the streamlining achieved in QWHRA through bi-partisan, noncontroversial changes to update and improve the program along with providing a reliable funding formula. We believe SESA is a serious attempt to accomplish those goals.

Rent and Income Provisions

We are very encouraged by the draft SESA provisions that would streamline the process for calculating income and rent. Such provisions will reduce the administrative burdens on PHAs and participating property owners while not increasing the rent burden of residents. We are particularly pleased that the draft SESA legislation proposes a three-year (versus an annual) re-certification of income for residents with fixed incomes (e.g. elderly and disabled). This administrative relief is also applied to project-based rental assistance properties and is broadly supported. While it does not seem like much, the time it takes to recertify tenants every year cannot be overstated. We appreciate that the subcommittee recognizes that a seemingly small change can make a big difference. NLHA would recommend going a step further and providing relief from annual re-certifications for all recipients, perhaps every other year for non-elderly/disabled residents.

NLHA is meeting this week in DC and will be developing cost-saving strategies for the voucher program (some legislative, some regulatory) that we will share with the subcommittee in the next few weeks. NLHA also has been working closely with HUD who has been very receptive to our input.

We would like to point out a provision in the draft that represents a major departure in policy that will cost the government money without any discernable benefit. Currently, residents who were income eligible to receive assistance initially remain income eligible as long as their contribution for rent is less than the rent for the apartment. The SESA draft would provide that PHAs and owners can terminate assistance and evict residents receiving project-based Section 8 assistance or vouchers when their income reaches 80 percent of area median income (AMI) and in some cases 95 percent of median (see page 36 Section 4(b) of the draft).

We understand that the intent of this provision is to free-up units for lower-income families, but realistically such a provision would only free-up a very small number of units while changing decades-long policy. In 2007, our analysis of 84,877 project-based Section 8 units in three states revealed that less than two-tenths of one percent (198) had over-income residents (and that is assuming that all owners choose to enforce this limitation). While the gain in units would be nominal at best, the change could hurt the affected families, many of whom are elderly or disabled and living on fixed incomes. Further, according to CBO, this provision will increase subsidy costs for the government by $200 million. We believe the $200 million can be better spent.

Inspection Standards

NLHA has long advocated the increased participation of professionally managed rental housing in the Housing Choice Voucher program. Over the years, changes to the program have helped advance that goal but one of the remaining obstacles is addressed in the discussion draft. Currently, it costs an apartment owner more to rent to a voucher holder than it does to rent to an unsubsidized resident. One of the reasons for this cost discrepancy is the program's burdensome and often duplicative inspection standards.

Before a Section 8 voucher holder can rent an apartment, the administering public housing agency (PHA) must first inspect the unit to confirm that it complies with HUD-prescribed Housing Quality Standards (HQS). Unfortunately, these unit-by-unit inspections cause significant leasing delays and do not necessarily satisfy HUD's objective of protecting residents since many of these properties are already inspected under other federal programs.

Even if the PHA conducts its inspection within the required time frame, many apartment owners still report that it can take 30 days or more to be approved due to the extensive workload of most housing agencies. While this approval is pending, the apartment unit remains empty, when the owner could otherwise be collecting rent on it. The financial implications of such delays are enough to deter many owners from participating in the voucher program.

NLHA strongly supports provisions that make important reforms to the property inspection process, including addressing a redundancy that exists in federal inspection requirements. Currently, units that receive Low-Income Housing Tax Credits or are FHA-insured are already inspected as a condition of participation in those programs. We appreciate that the draft excludes those units that have already passed inspections for other federal programs from a duplicative and time-consuming Section 8 inspection process.

In an effort to streamline the inspection process, SESA provides PHAs the discretion to lease a unit that has minor defects (i.e., non-life threatening problems like a small slit in a window screen, a chipped switch plate, etc) instead of forcing the apartment owner to make the repairs before the lease can be signed. We also support the ability of PHAs to inspect properties every other year instead of annually where it makes sense (e.g. professionally managed apartment buildings, new construction, etc.) We do, however, recognize that there are many small apartment properties that are not professionally managed

that accept Section 8 vouchers. We understand that these smaller properties might require more frequent inspections, so maximum flexibility is important.

Moving To Work (MTW)

NLHA has long supported the Moving to Work (MTW) program, and the agency I head (the jointly operated Housing Authority of the County of Santa Clara and Housing Authority of the City of San Jose) has been an MTW participating agency for three and a half years. Madame Chair, you requested that we discuss the impact of MTW on PHAs and residents. Relevant information about our program includes the following:

- We serve the area in the San Francisco Bay Area that includes the heart of Silicon Valley, which is always one of the most expensive places to live in the country.

- MTW has allowed us to dramatically streamline our Section 8 voucher program administration – for example, we conduct tenant re-exams (routine re-verification of tenant income and eligibility) every two or three years instead of every year, and conduct housing quality inspections every two years instead of annually. These and other approved administrative efficiencies have translated into staff time savings valued at over $2 million and other program cost savings of over $800,000, with no detrimental effects on the program and its participants to date.

- MTW allows us to make better use of limited federal funds to meet the unique set of affordable housing needs and circumstances in our community. We are a relatively young metropolitan area with generally good quality housing stock; we have very little public housing (which we are almost done preserving and converting to tax credit affordable housing through the disposition program) and a large Section 8 program (over 16,000 housing choice vouchers) spread over a large geographic area; and we are consistently fully leased-up in Section 8 in a market with extremely high rents and home purchase prices and a stubbornly inadequate supply of housing that is affordable to low- and very low-income families.

- MTW has enabled us to shift Section 8 administrative fee resources from things like one-size-fits-all annual tenant re-exams to:

    - over-leasing in the Housing Choice Voucher program to meet multiple needs,
    - better trained staff,
    - more time for staff to spend communicating with tenants and property owners,
    - preserving existing affordable housing (whether public housing being converted or other types of affordable properties),
    - taking advantage of a rare opportunity to buy land well below market value in a key public-transit-centered location for future affordable housing development,
    - collaborating with local governments and service providers to create a successful direct voucher referral program to better serve those who have been chronically homeless, and
    - expanding modest but very effective resident services programs to properties that serve very low-income households but that under statute could not be funded with Section 8 or public housing monies.

- MTW requires us and the other 32 participating housing authorities to plan our intended uses of program flexibilities and to share those plans with our communities; to seek and procure HUD's prior approval of activities that would streamline operations; to serve our clients and community more effectively; and to try out new and potentially better approaches to things like the way rents

are calculated and how some tenants might be given more incentives to increase their income and eventually be able to afford market-rate rents.

- At my agency, MTW has increased our sense of accountability for the work we do and the programs we administer. For example, instead of just being frustrated with rigid program rules that defy common sense and that are costly to administer, staff can take ownership of the problems they see and brainstorm and carefully develop and propose alternative approaches that will meet program goals, better serve clients, and free up funds for higher purposes such as offering housing assistance to more people on the waiting list or leveraging private sector funds for affordable housing preservation and development.

- Agencies across the country are having similar experiences and producing important results. Some agencies have transformed their housing stock and their approach to giving families a boost out of poverty. HUD produced a very informative report to Congress last year (August 2010) on the MTW experience so far. The individual agencies themselves produce annual plans and reports. There is significant progress being made in a wide variety of areas, from development and preservation of housing to innovative rent reform initiatives.

- As stated in HUD's report to Congress, "most MTW agencies have actually served substantially more families than they would have been able to serve without MTW by streamlining operations and using accumulated funds to administer new assisted housing units."

Limited English Proficiency (LEP)

The discussion draft includes an important provision that will facilitate the implementation of HUD's limited English proficiency guidance that became effective a few years ago. The language provides for a task force comprised of both industry and civil rights stakeholders to identify vital documents (to include both official HUD forms and unofficial property documents) and facilitate the translation of those documents. The language also provides for the development of a housing information resource center that will provide translations and interpretation services. We appreciate the willingness of the Committee to address this issue.

Project-based Vouchers

NLHA is pleased that the discussion draft includes a change to the Section 8 project-based voucher program to increase flexibility and maximize consistency by permitting HAP contracts to be up to 20 years subject to annual appropriations. This change will ensure conformity of the project-based voucher HAP to other programs and facilitate financing of such properties. The draft also allows the Secretary to modify unit inspection rules to permit a sampling of units where the assistance is project-based. We would also support the following additional changes:

- Increase the percent of voucher funds that PHAs can use for project-based properties from 20 percent to 25 percent to address homeless populations, provide housing for persons with disabilities or otherwise use this tool in difficult to develop areas;
- Amend the current provision that limits project-based vouchers in family properties to 25 percent of the units to 40 percent in difficult areas or where the poverty rate is at or below 20 percent; also provides that 100 percent of the dwelling units can be project-based when the project has 25 units or less
- Facilitate for PHAs to use PBVs (subject to the PHA Plan) in units that they have ownership interest;
- Permit site-based waiting lists (subject to PHA oversight).

We request removal of lines 12-14 on page 61 of the draft. This provision appears to permit HUD broad discretion to amend contracts during the term of the contracts without agreement of the owner.

Conversion Issues

NLHA's members are deeply involved in the preservation and rehabilitation of the older rental housing stock. It is important that the scarce tools available to accomplish such preservation are as flexible as possible. To that end we have two requests that will not add any costs to the program, but will provide options for preservation.

Two older rental assistance programs, Rent Supplement and Rental Assistance Payments (RAP) programs (precursors to the Section 8 project-based programs), are reaching the end of their terms. When a RAP or Rent Supplement contract expires, the tenants are provided regular vouchers (known as Tenant Protection Vouchers) to protect recipients from economic and physical displacement. Often, an owner of such projects would prefer to keep the property low income or sell to an entity that will preserve the affordability, but have limited options because of the lack of a project-based subsidy contact. Currently, that owner can ask the housing agency if it will project-based the tenant protection vouchers, but it is a two step process that only works if the housing agency operates a project-based voucher program. We request that the discussion draft amend the voucher program to streamline this process and provide specific authority to convert tenant protection vouchers to project-based vouchers as part of this bill. Further, a similar tool would be useful with enhanced vouchers (vouchers provided when there is a conversion action (e.g. mortgage prepayment)). In this circumstance, such vouchers could be converted to project-based assistance or project-based vouchers in order to preserve the property as affordable housing for the long term. Again, these provisions would facilitate preservation without any additional cost to the Federal Government.

Family Self-Sufficiency (FSS)

The SESA discussion draft attempts to strengthen the FSS program and expands the use to the project-based Section 8 program. We applaud the recognition that the FSS program can be broadened to other housing programs. A number of NLHA's PHA members have run successful programs for years and can share with the committee their successes upon request. Of course, the downside to the FSS program is that it can only work if there are sufficient social services in the community that can be accessed by the participants and sufficient resources to hire someone to coordinate them. Too often, those resources are extremely limited. NLHA is deeply committed to self-sufficiency and has formed a nonprofit education fund that provides educational scholarship to low income students residing in Section 8 and tax credit properties. This year we will award tuition assistance to 56 students.

Fair Market Rents (FMRS)

Madame Chair, you requested our input on the Fair Market Rent provision in SESA. NLHA has spoken to your staff and to HUD staff about the calculation of FMRs over the years and recognize the complexity of publishing rents that are both fair and market. Currently, FMRs are published at the 40th percentile of rents paid by recent movers, from the lowest to the highest rent. So basically, the FMRs are below average rents for the area (and therefore are not necessarily representative of comparable market rents). FMRs are used as a benchmark to establish the payment standard for the voucher program. Housing agencies can set their payment standards between 90 and 110 percent of the FMR and must apply a reasonableness test when approving voucher unit rents. Therefore, if the FMR for an area is too high or too low, the PHA adjusts the payment standard accordingly.

The data used to calculate the FMRs was often less current than everyone would like because the decennial census data was used. Today, it is our understanding that HUD uses the American Community Survey data. In any event, the statute requires HUD to trend FMRs so they are current for the year in which they will be effective. HUD has requested to remove the trending requirement because the census no longer provides the data on which the original trend factor was based. While that may be the case, we believe there is no good reason to eliminate trending. The National Association of Homebuilders along with other industry groups including NLHA, recently submitted comments to HUD that proposed a reasonable and workable method for trending FMRs based on the American Community Survey.

HUD has also expressed a desire to eliminate the current statutory requirement that the FMRs be published for effect on October 1. It is important for the stability of the voucher program that the October 1 date be maintained, but it also is important because the FMR data is used to develop income limits and rent adjustment factors that have uses in other programs. As it is, HUD is consistently later and later in publishing those documents. Without an October 1 deadline for publishing the FMRs who knows when the FMRs along with the other indicators would be published. For example, the Annual Median Income limits determine the rents in properties developed under the housing tax credit program. For many years, the income limits were published every January. However, over the last five years, the publication and implementation of the income limits has been increasingly delayed. Most recently they were published at the end of May. Such delays result in lost revenue to properties that do not have rental subsidies. Imagine expecting to implement a rent increase in February only to have to wait three months due to HUD's delay which could have a major impact on property operations.

We support the FMR language in SESA as it retains the trending requirement while relieving HUD of the burden of publishing the FMRs in the Federal Register. HUD will be required to publish a notice in the Federal Register when the FMRs have been published on HUD's website and develop a process to accept public comments. The language also retains the requirement that the FMRs be published for effect on October 1.

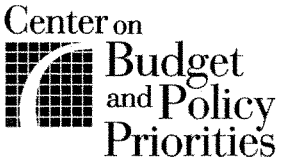
Other Provisions

We appreciate the subcommittee providing that HUD should collect and publish data on utility consumption and costs in local areas to help establish utility allowances. This provision is important because the current methods for establishing utility allowances is often quite inconsistent, requires owners and PHAs access information that is not readily available and often results in higher costs than is necessary.

We also support Section 14 of the bill as it recognizes the expiration in October of HUD's authority to restructure FHA mortgages under MAHRA. The extension of this authority is important to permit the continuation of the successful debt restructuring program for properties. This program has resulted in significant savings in Section 8 subsidies.

Conclusion

The Section 8 program has long served as America's primary rental subsidy program. We support the goals of SESA and are pleased to provide the benefit of our members experience to enable SESA to amend the voucher program to better meet the needs of America's hard working families who cannot find decent, affordable housing. We appreciate the opportunity to express our views, and we stand ready to work with the Subcommittee on the Section 8 program and other critical housing issues.



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June 21, 2011

TESTIMONY OF BARBARA SARD, VICE PRESIDENT FOR HOUSING POLICY, BEFORE THE HOUSE FINANCIAL SERVICES SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

Thank you for the opportunity to testify. I am Barbara Sard, Vice President for Housing Policy at the Center on Budget and Policy Priorities. The Center is an independent, nonprofit policy institute that conducts research and analysis on a range of federal and state policy issues affecting low- and moderate-income families. The Center's housing work focuses on improving the effectiveness of federal low-income housing programs, and particularly the Section 8 housing voucher program.

The Section 8 Savings Act (SESA) would take a series of important, timely steps to strengthen the Housing Choice Voucher (HCV) program, the nation's most widely used low-income housing program. It also would simplify and streamline rent policies for all of HUD's major rental assistance programs. The bill would sharply reduce administrative burdens for state and local housing agencies and private owners, establish funding rules that would enable housing agencies to manage voucher funds more efficiently, and strengthen work supports, including opening up participation in the Family Self-Sufficiency program to families receiving project-based section 8 assistance.

Taken together, the bill's provisions would stretch limited funds to assist significantly more families than would be possible under current law, a crucial improvement at a time when budgets are tight and poverty and homelessness are high. We commend the subcommittee for moving forward with this bill.

The current SESA discussion draft contains many provisions that are similar to earlier versions of the Section 8 Voucher Reform Act (SEVRA), including H.R. 3045, which the Financial Services Committee passed in July 2009, and H.R. 1851, which the House passed by a bipartisan vote of 333-83 in July 2007. But it drops provisions of those bills that were costly, controversial, or that HUD could implement without new legislative authority. Some of the most important SESA provisions would:

- **Simplify rules for setting tenant rent payments,** while continuing to cap rents at 30 percent of the tenant's income.
- **Streamline housing quality inspections** to encourage private owners to participate in the program.

- **Stabilize voucher reserve funds** to enable agencies to better cope with funding shortfalls or unavoidable cost increases, and make other improvements in voucher funding policy.

- **Support work** by modestly raising income targeting limits to admit more working-poor families and strengthening the Family Self-Sufficiency program, which offers housing assistance recipients job counseling and incentives to work and save.[1]

These important reforms are expected to achieve considerable savings that could be used to extend assistance to more families or for deficit reduction. In 2010, the Congressional Budget Office (CBO) estimated that provisions similar to those in the current bill would reduce the budget authority needed to fund the current level of housing assistance by more than $700 million over five years, primarily by serving more working-poor families who need lower subsidies to afford rent. Moreover, CBO did not attempt to estimate the administrative savings from SESA's streamlining provisions, which could lower costs by an added several hundred million dollars over five years.

Congress could make the bill even stronger by adding a number of cost-free, broadly supported provisions from earlier versions of SEVRA. The most important of these would:

- **Improve the efficiency of the voucher funding system further** by establishing a system to shift funds from agencies that are not using them to cover funding shortfalls or enable other agencies to assist more families.

- **Help develop and preserve affordable housing** by facilitating use of "project-based" vouchers (which, unlike more widely used "tenant-based" vouchers, can be tied to a particular development).

- **Support use of vouchers in mobile homes** by allowing a voucher to be used to cover both the rent for land on which to place a mobile home and loan payments and other costs of purchasing a home (subject to the same subsidy limits that apply to vouchers used for other purposes).

- Avoid duplication of effort by **requiring state SNAP (formerly food stamp) agencies to share data with housing agencies** on incomes of families participating in both programs.

- Expand agencies' flexibility to **adjust voucher rent caps for disability-accessible units.**

- Limit (or allow HUD to limit) **tenant screening** in all rental assistance programs to criteria relevant to a family's ability to responsibly rent a unit.

My testimony also includes recommended improvements to other the provisions in the draft bill.

The current SESA draft omits a risky provision that was included in H.R. 3045: an expansion of HUD's Moving-to-Work (MTW) demonstration. MTW is intended to test innovative housing policies, but it has proven to be an ineffective and inefficient way to pursue this goal. It will be

[1] A detailed side-by-side comparison between SESA's provisions and current law is available at http://www.cbpp.org/files/SEVRA-SESA-current%20law%20comparison.pdf .

important that Congress refrain from adding an MTW expansion as the legislative process moves forward.

Stabilizing Voucher Funding Rules

The most important goal for new authorizing legislation concerning the Housing Voucher Program is to establish a stable, fair, efficient policy for distributing funds to renew voucher subsidies to the approximately 2,400 state and local agencies that administer the program, enabling those agencies to assist more families than would otherwise be possible with the level of resources provided in annual appropriations bills. For the last eight years, appropriations acts have changed renewal funding policies every year or two. Such instability creates uncertainty and makes many agencies reluctant to use the funds they have to serve the number of families Congress has authorized, out of fear that they will not receive sufficient renewal funding to maintain payments to landlords. As a result, only about 92 percent of authorized vouchers are in use, compared to about 97 percent before the changes in renewal funding policy began — a loss of assistance to about 100,000 families.

Commendably, SESA includes three important components of a predictable renewal funding policy.

- The draft bill would assure state and local housing agencies that they can maintain a funding reserve of at least 6 percent of the renewal funding for which they are eligible. In the current funding environment, when agencies may fear that Congress will not provide sufficient new funding to support all vouchers in use, a predictable reserve level provides the cushion agencies need to reissue vouchers to needy applicants on the waiting list when families leave the program and be confident that they will have sufficient funds to sustain the vouchers.

- The draft bill would encourage agencies to reduce the cost of voucher subsidies and stretch their voucher funds to serve as many families as possible by restoring the flexibility that existed prior to 2003 to use available funds to serve more families. Under the "authorized voucher cap" policy adopted in annual appropriations acts since 2003, agencies are penalized if they use more than the authorized number of vouchers in a year, even if they can do so by reducing per-voucher costs. This policy has pushed agencies to use substantially *fewer* than their authorized number of vouchers out of fear of exceeding the cap. The draft bill would remove this chilling effect, and encourage agencies to keep per-voucher costs low. Agencies would be assured that if they take steps to limit costs, they could use any savings to provide vouchers to more families, even if this pushes them above their authorized voucher level. This important incentive would not, however, increase program costs, as vouchers above the authorized level that are supported by unused prior-year funds would not be eligible for renewal.

- The draft bill refers to a policy of basing agencies' renewal funding on their number of vouchers in use in the prior calendar year (although it does not explicitly require that HUD allocate funds in this manner). Experience has shown that in the absence of such re-benchmarking based on actual voucher utilization, the number of families receiving housing assistance declines

precipitously.[2]

These measures are helpful, and by themselves would enable and encourage agencies to use available funds to help more needy families. SESA could accomplish much more, however, by addressing all of the essential elements that guide HUD's annual distribution of the funds Congress makes available for voucher renewals. With such a comprehensive renewal funding policy in place, appropriators could focus on their core function of determining how much funding to allocate for particular purposes, and agencies would know what rules would apply to whatever amount of funds Congress decides to provide.

Four additional provisions — all of which were in versions of SEVRA in the last Congress — are needed for a comprehensive policy that would make the most efficient use of renewal funding:

- *The legislation should state explicitly that eligibility for renewal funding will be based on voucher spending ("leasing and costs") in the immediately preceding calendar year, adjusted by a HUD-determined projected local cost inflation factor.* Basing funding on voucher utilization, without consideration of voucher costs, does not achieve the predictability needed to sustain the level of vouchers in use.

- *In allocating renewal funds, HUD should be directed to offset each PHA's renewal funding eligibility by the amount of "excess" reserves above the established level (at least 6 percent, as noted above).* A predictable offset policy ensures that assistance will be maintained for the maximum number of currently assisted families even in the event of a funding shortfall. Making such an offset predictable also provides a powerful incentive for agencies to put any excess unspent funds to use, by making clear that agencies will lose any funds beyond the permitted reserve amounts.

- *Unused funds from the first year of a new voucher allocation should be excluded in determining the amount of reserves.* Such a policy is critical, for example, when new vouchers are issued near the end of a year to protect tenants in a property that has ceased to receive project-based assistance.

- *The legislation should authorize HUD to reallocate any renewal funds that may remain after full funding of agencies' formula eligibility based on objective criteria.* In timely appropriations bills, Congress will determine the amount of renewal funding before all the data are available to know the precise amount of funding needed to fully fund the renewal formula. In recent years when such "excess" funding has been provided, HUD has been required to provide every agency a pro-rata share of the extra funds. It would increase the efficient use of appropriated funds to allow HUD to use any such funds to provide funding for unforeseen circumstances or to reward particularly high performance.

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[2] From 2004 – 2006 about 150,000 vouchers that agencies were authorized to administer were taken out of use. Such losses were likely due in part to the instability of the funding policy as well as funding shortfalls, but the lack of any adjustment to renewal funding for 2006 based on actual leasing and costs in 2005 likely also played a significant role. See Douglas Rice and Barbara Sard, "A Decade of Neglect Has Weakened Federal Low Income Housing Programs," February 24, 2009, pp. 13-14. Until HUD extended the policy to all agencies participating in the Moving to Work Demonstration in 2008, only a portion of the agencies received voucher funding without regard to utilization. Many of the block-grant-funded agencies had far lower voucher utilization rates than other agencies.

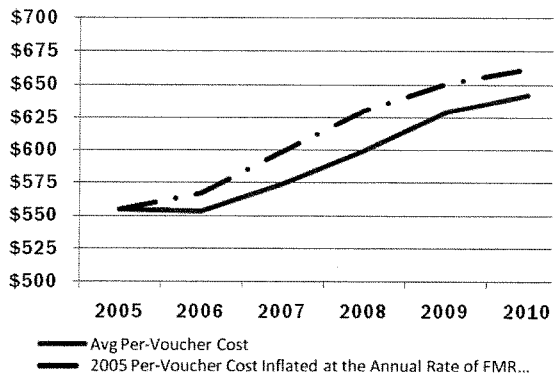
Per-Voucher Costs Have Risen More Slowly than Housing Costs in the Private Market

While the draft bill, particularly with the improvements recommended above, would create important incentives to keep per-voucher costs low, it is important to note that this would build on the voucher program's already successful record of restraining costs. Per-voucher costs have generally risen at a *slower rate* than housing costs in the private market. HUD-determined Fair Market Rents (FMRs), which are based in market rents for standard-quality unassisted units, increased by 19 percent from 2005 to 2010. During that same period, average per-voucher costs increased by less than 16 percent.

This is particularly striking because of evidence that the incomes of assisted households have also risen at a slower rate than market housing costs. Because voucher assistance payments fill the gap between tenant contributions and actual housing costs, and tenant contributions are based on a percentage of income, one would expect per-voucher costs to increase at a *faster* rate than market housing costs, if tenant incomes are rising at a slower rate. Yet evidence suggests that average tenant incomes rose by about 10 percent from 2005 to 2010, well below the increase in FMRs.

The mostly likely explanation is that housing agencies controlled voucher costs through their ability to set payment standards, which determine the maximum allowable voucher assistance payment and can be set anywhere from 90 to 110 percent of the FMR (and outside that range under some circumstances). This explanation receives support from HUD data showing that, on average, voucher payment standards declined in relation to FMRs from 2005 to 2010.

Figure 1:
Average Per-Voucher Costs Have Increased at a Slower Rate than Fair Market Rents, 2005 to 2010



Source: HUD Voucher Management System and Fair Market Rents.

By incorporating such an improved voucher renewal funding policy in permanent law, SESA would provide agencies — as well as families with vouchers and private owners — with more confidence that renewal funding needs will be met in future years, which is particularly important to maintain program effectiveness in the current fiscal environment. The measures in SESA would *not* weaken Congress's control over the cost of the program. Congress would still determine the amount of annual program funding, and if the funds appropriated in a given year were insufficient to fully fund the renewal formula, HUD would reduce each agency's funding by the same percentage so funds would still be allocated based on agencies' relative needs. SESA would simply ensure that, *for any given level of funding*, more families would receive the important benefits that vouchers have been shown to provide.

Simplifying Rules for Determining Tenants' Rent Payments

Tenants in HUD's housing assistance programs generally must pay 30 percent of their income for rent, after certain deductions are applied. SESA would maintain this rule, but would streamline the process for determining tenants' incomes and deductions. As a result, the bill would reduce the burdens that rent determinations place on housing agencies, property owners, and tenants. The changes would also reduce the likelihood of errors in rent determinations and strengthen incentives for tenants to work.

Most significantly, SESA would:

- **Reduce the frequency of required income reviews.** Currently, agencies must conduct annual income reviews for *all* tenants, including those who receive most or all of their income from fixed income sources such as Social Security or SSI and consequently are unlikely to experience much income variation from one year to the next. SESA would allow agencies to review the incomes of tenants with fixed incomes every three years.[3]

  Currently, agencies also must make rent adjustments between annual reviews at the request of any tenant whose income drops. SESA would require adjustments only when a family's annual income drops by 10 percent or more, thereby reducing the number of such "interim recertifications" that an agency must make while enabling tenants to obtain adjustments when they would otherwise face serious hardship. Interim rent adjustments would be required for *increases* in annual income exceeding 10 percent as well, except that to strengthen work incentives adjustments for increases in earnings would not occur until the next annual review..

  Together, these changes would sharply reduce the number of income reviews that agencies and owners must conduct. Such reviews are among the most labor-intensive aspects of housing assistance administration, so such a reduction would substantially lower administrative costs.

- **Simplify deductions for the elderly and people with disabilities.** Currently, housing agencies and owners are required to deduct medical expenses and certain disability assistance

[3] Many fixed-income benefits, such as Social Security and SSI, typically increase annually due to cost-of-living adjustments. To avoid a loss of revenue from this streamlined option, agencies would be required to assume that in the intervening two years these tenants' incomes rose by a rate of inflation specified by the HUD Secretary.

expenses that exceed 3 percent of a household's income if the household head (or his or her spouse) is elderly or has a disability. Agencies frequently state that this deduction is difficult to administer, since they must collect and verify receipts for all medical expenses. It also imposes significant burdens on elderly people and people with disabilities, who must compile and submit receipts that may contain highly personal information. Largely for these reasons, many households eligible for the deduction do not receive it. By contrast, a second deduction targeted to the same groups — a $400 annual standard deduction for each household headed by an elderly person or a person with a disability — is quite simple to administer.

SESA would increase the threshold for the medical and disability assistance deduction from 3 percent of annual income to 10 percent. This would reduce the number of people eligible for the deduction — and therefore the number of itemized deductions that would need to be determined and verified — while still providing some relief for tenants with extremely high medical or disability assistance bills. At the same time, SESA would substantially increase the easy-to-administer standard deduction for the elderly and people with disabilities to $675 annually and index it for inflation. In addition to reducing burdens on agencies, owners, elderly people, and people with disabilities, this change is likely to reduce payment errors substantially. HUD studies have found that the medical and disability expense deduction is one of the most error-prone components of the rent determination process, while errors in the standard deduction are rare.[4]

- **Simplify deductions for families with children.** SESA would scale back an existing deduction for child care expenses — which evidence suggests is implemented inconsistently — by allowing deductions only of expenses above 5 percent of income (rather than all reasonable expenses). At the same time, it would increase from $480 to $525 a simple annual deduction that families receive for each child or other dependent and index it for inflation. The dependent deduction recognizes the larger share of family income required to cover non-shelter expenses when a family has more children.

- **Base rents on a tenant's actual income in the previous year.** Currently, rents are based on a tenant's anticipated income in the period that the rent will cover, usually the coming 12 months. Except when a family first begins receiving housing assistance, SESA would require agencies generally to base rents on actual income in the previous year. This would give tenants an incentive to increase their earnings, since such an increase would not affect their rent for as long as a year. It also would simplify administration, both by making it easier for agencies and owners to use tax forms and other year-end documentation to verify income and by reducing the need for mid-year rent adjustments for tenants whose earnings change during the year.

- **Allow housing agencies to use income data gathered by other programs.** One of SESA's provisions would allow state and local housing agencies and owners to rely on income determinations carried out under SNAP (formerly food stamps) and other federal means-tested programs, without separate verification. Currently, housing agencies and owners must

[4] HUD's most recent rental assistance quality control report showed that the medical deduction was the third largest cause of rent payment errors, in terms of the number of households in error: 19 percent of households that paid too much or too little rent had a medical deduction-related error. In contrast, only 2 percent of all households experienced payment error in the application of the elderly/disabled standard allowance and 3 percent in the application of the dependent allowance. ICF Macro International, "Quality Control for Rental Assistance Subsidies Determinations," October 16, 2009, Exhibits IV-12 and IV-15.

determine and verify income independently, even though this duplicates work already being carried out by other agencies. Allowing housing agencies to rely on income determinations made by SNAP agencies would ease their administrative burdens considerably, since a large portion of housing assistance recipients also receive SNAP benefits.

The SESA provision, however, does not require state SNAP agencies to provide the needed data, and it is unlikely that many states would do so voluntarily. Congress could address this by adding to SESA a provision included in the December 2010 draft of SEVRA, which required SNAP agencies to make available to housing agencies income data for families participating in both programs.

SESA Would Raise Rent Revenues Modestly, But Protect Families from Sharp Increases

No comprehensive analysis has been released on the impact of the current SESA discussion draft on tenant rent payments. A Congressional Budget Office (CBO) estimate circulated as part of a discussion draft at the end of the last Congress estimated that similar provisions would raise total tenant rent payments by $60 million annually during the first four years after they go into effect. This would amount to an average rent increase of less than half a percent for each household receiving housing assistance under the three major programs.

Some individual tenants would face higher or lower monthly rents under SESA, but the impact would generally be modest. For example, when the change in the medical deduction is offset by the increase in the standard deduction from $400 to $675, an elderly person or person with a disability with an annual income of $8,000 who currently receives a large deduction for medical expenses would face a maximum monthly rent increase of $7.13. The maximum rent reduction for a person who has few or no unreimbursed medical expenses (or has such expenses but does not currently receive the deduction to which he or she is entitled) would be $6.88 a month.

Rent Demonstration Could Be Useful, but Restrictions Should Be Tightened

SESA would also authorize HUD to conduct a limited demonstration of alternative rent policies. Such a demonstration is potentially beneficial. Today's rent rules generally work well, providing sufficient help to enable the neediest families to afford housing while not giving higher-income families more subsidy than they need. In addition, the current system maintains largely identical rules across programs and localities, making it easier for voucher holders to move from one community to another (for example to pursue a job opportunity), easier for private-sector owners and investors to participate in multiple programs and operate in multiple jurisdictions, and easier for HUD to provide effective oversight.

Most major changes — and particularly those that would result in sharply higher or lower subsidies for certain families — would carry substantial risks and tradeoffs. It is possible, however, that some substantial changes would have significant benefits that would justify enacting them on the federal level. For example, a policy of disregarding some percentage of earned income would carry added costs, but might encourage sufficient increases in earnings to offset a sizable share of the cost and justify the change. A demonstration could offer an opportunity to rigorously test policy

alternatives to determine their costs and benefits relative to the current rules.

The SESA rent demonstration is strongly preferable to an alternative rent policy in H.R. 3045, which would have allowed all housing agencies to implement certain alternative rent policies in public housing. That policy would have resulted in an unwieldy patchwork of local rent rules and risked substantially raising federal costs.

However, the SESA rent demonstration can and should be strengthened in important ways. HUD's 2012 budget, which proposed a similar demonstration, provides HUD broader flexibility to identify promising policies and limits the demonstration to five years to avoid allowing wasteful or harmful policies to remain in place indefinitely. Both of these improvements should be adopted. In addition, bill language should explicitly require a rigorous, experimental evaluation and clarify that the "limited" number of families that can be subject to alternative policies should be no more than the number needed to yield statistically valid results.

Streamlining Housing Inspection Rules to Encourage Participation by Private Owners

The voucher program requires that vouchers be used only in houses or apartments that meet federal quality standards. SESA would allow agencies to make modest changes in the inspection process used to ensure that units meet those standards. The changes would ease burdens on agencies and encourage landlords to rent apartments to voucher holders. Most significantly, SESA would allow agencies to inspect apartments every two years instead of annually.

In addition, to eliminate inspection-related delays, the bill would allow agencies to (1) rely on recent inspections performed for other federal housing programs, and (2) make initial subsidy payments to owners even if the unit does not pass the initial inspection, as long as the failure resulted from non-life-threatening conditions. Defects would have to be corrected within 30 days of initial occupancy for the payments to continue. These provisions would encourage owners to participate in the voucher program by minimizing any financial loss due to inspection delays. They also would enable voucher holders, who in some cases are homeless or experience other severe hardship, to move into the unit more quickly than under current rules.

Today, when an inspection of a unit occupied by a voucher holder finds a violation, the housing agency is permitted to temporarily halt subsidy payments if the owner fails to address the violation in a timely manner, and ultimately terminate the subsidy if the defects are not adequately repaired. SESA would retain this authority and establish a series of requirements regarding the rights of tenants and other aspects of subsidy abatement and termination. In the versions of SEVRA considered in the last Congress, housing agencies were required to provide assistance to help tenants find a new unit and relocate if the subsidy to their unit is terminated because of an inspection violation. SESA would make this assistance optional. It will be important that Congress restore this key requirement as SESA moves forward.

Easing Income Targeting Rules to Help More Working-Poor Families

Currently, 75 percent of vouchers and 40 percent of project-based Section 8 and public housing units must be allocated to households with incomes at or below 30 percent of the median income in the local area at the time they enter the program. SESA would adjust these criteria to require that those vouchers and units be allocated to households with incomes at or below 30 percent of local median income *or* the federal poverty line, whichever is higher. Neither this revised requirement nor current law restricts a family's income after it is admitted.[5]

This change would give housing agencies greater flexibility to target working-poor families. Some agencies in low-income areas have expressed concern that the current targeting criteria prevent them from assisting these families. About 770,000 additional working-poor families would be eligible for priority admission based on the SESA change.[6] At the same time, the change would maintain the emphasis on assistance for the poor. The reduction in subsidy needs that would result from easing targeting rules is the main source of the more than $700 million in net savings CBO estimated SEVRA would generate over five years.

Facilitating Use of Project-Based Vouchers

The current draft of SESA omits an important set of provisions from H.R. 3045 that would have made it easier for a housing agency to enter into agreements with owners for a share of its vouchers to be used at a particular housing development. Through such "project-basing," agencies can partner with social service agencies to provide supportive housing to formerly homeless people or support development of mixed-income housing in low-poverty neighborhoods with strong educational or employment opportunities but tight rental markets.

Residents of units with project-based voucher assistance have the right to move with a voucher after one year, using the next voucher that becomes available when another family leaves the program. (When this occurs, a voucher remains attached to the housing development; the family moving out of the development receives a separate voucher.) This "resident choice" feature and other policies make the project-based voucher option significantly different from earlier programs that provided project-based assistance.

SESA includes only one improvement to the project-based voucher program: an option for agencies to commit to project-based voucher contracts with a term of 20 years, rather than the 15-year maximum permitted today. This change would parallel the policy that now exists for project-based section 8 contracts administered by HUD's Office of Multifamily Housing.

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[5] A separate provision of SESA would prohibit families from continuing to receive assistance if their income rises to a much higher level (generally above 80 percent of local median income). Currently, there is no income limitation after admission. As a practical matter, however, this new policy will have limited effect, since owners and agencies can opt not to enforce it in project-based Section 8 and public housing. And families with incomes above 80 percent of median in most areas no longer qualify for assistance under the voucher program because 30 percent of their adjusted income — their required contribution — exceeds the maximum rent a voucher can cover.

[6] This estimate is based on 2008 data.

H.R. 3045 included a number of other provisions to facilitate the use of the project-based voucher option for supportive housing and in areas where tenant-based vouchers are difficult to use. For example, the bill permitted owners to establish and maintain site-based waiting lists, subject to civil rights and other requirements, and protected tenants from eviction except for good cause. It also allowed an agency to provide project-based assistance to 25 *percent* of the units in a project or 25 *units* in the project, whichever is greater, and in areas in which vouchers are difficult to use (as defined by HUD) or the poverty rate is 20 percent or less, it would permit 40 percent of the units in a project to have project-based voucher assistance. These policy changes would give PHAs additional tools to increase the effectiveness of the voucher program in rural and suburban areas, where rentals are frequently scarce and properties tend to be small, and also in low-poverty areas in all types of locations. The final bill should include these provisions.

It also would be worthwhile to include a compromise policy change included in the December 1 discussion draft of SEVRA, which would have increased the percentage of an agency's vouchers that can be used for project-basing from 20 percent to 25 percent, if the additional 5 percent authority is used to expand the affordable units available to homeless individuals and families or in areas where vouchers are difficult to use, or to provide supportive housing to people with disabilities.

Improving Fair Market Rent Determinations

The SESA discussion draft would permit modest but beneficial changes to the process HUD uses to establish Fair Market Rents (FMRs). FMRs, which are set for each metropolitan area and rural county, are used to cap voucher subsidies and for other purposes in a range of housing programs. The bill would eliminate a burdensome requirement that HUD publish proposed FMRs for comment, and instead only require that HUD request comments on significant changes in the methodology used to set FMRs.

This change would be much more helpful, however, if Congress also revised a statutory requirement that final FMRs be published and go into effect on October 1 each year, by moving that date back to April 1. This would enable HUD to more promptly set FMRs based on the most recent rent data from the American Community Survey, which becomes available to HUD close to the beginning of the calendar year . For example, HUD's fiscal year 2012 FMRs, which will be finalized and go into effect on October 1, 2011, will use ACS rent data from calendar year 2009 — a period that ended 21 months earlier. But HUD received that ACS data in early 2011 and could have processed and issued final FMRs in April 2011 if it were not statutorily required to adjust the FMRs for each fiscal year. (The federal fiscal year begins October 1.) At that point, the data would have been six months more current and substantially more likely to reflect actual rents.

HUD's 2012 budget proposed that the statutory deadline be eliminated entirely, but this would risk delays in the release of FMRs. Similarly, it would be worthwhile to add a statutory deadline for HUD's release of income limits used in housing assistance programs. There currently is no such deadline, and there have been substantial delays in release of the limits in some years. Because HUD uses FMRs to make certain adjustments to income limits, the deadline for income limits should be about a month after the FMRs are required to be published, so that the income limits can rely on the most up-to-date FMR levels.

In addition, SESA omits a beneficial provision of earlier versions of SEVRA that would have required HUD to establish FMRs for smaller areas than it does today. HUD has sufficient authority to take this measure on its own, however, and has solicited applications from housing agencies to participate in a demonstration testing the establishment of FMRs for individual zip codes. As a result, it appears likely that this important change will move forward without legislative action.

Using smaller FMR areas would result in more accurate FMRs, since the current metropolitan-level FMRs are too high or too low in many individual neighborhoods. As a result, this change could improve the cost effectiveness of the voucher program by preventing vouchers from overpaying in low-rent areas, while also giving voucher holders better access to low-poverty areas with good schools and low crime but somewhat higher rents. Initially the change could generate substantial savings, since voucher holders today are disproportionately located in lower rent areas where FMRs would fall, but that effect would likely fade over time.

Strengthening the Family Self-Sufficiency Program

The Family Self-Sufficiency (FSS) program encourages work and saving among voucher holders and public housing residents through employment counseling and financial incentives. Unfortunately, residents of units assisted through a different HUD funding stream — project-based Section 8 contracts — are ineligible for the program. SESA corrects this omission, enabling families receiving any type of Section 8 assistance as well as public housing residents to benefit from FSS. Offering participation in the FSS program to assisted tenants would be optional for property owners. Generally, such tenants would participate in an FSS program operated by a public housing agency, if one is available that will admit the families. Owners of properties with project-based Section 8 contracts may use funds in their HUD-required "residual receipts accounts" to operate an FSS program independently if it serves at least 25 participants.

SESA also makes a number of other changes in the policies that apply to any FSS program, largely to eliminate differences in current law between FSS policies that apply to families residing in public housing and those receiving housing voucher assistance, as well as to update some policy details. Uniform policies will simplify administration of FSS for housing agencies and HUD. To realize the goal of uniformity, however, the bill needs to go one step further and eliminate the current statutory requirements for separate funding for agency staff to counsel participants and coordinate employment services, depending on whether the participants are assisted under the public housing or voucher program. Establishing a predictable formula for allocating funding to support these specialized agency staff, as the bill would do, is important. But the language of the new formula should be modified so that a single funding stream can support FSS coordinators staffing programs serving any eligible family.

Protection Against Arbitrary Screening of Housing Assistance Recipients

Housing agencies and owners must screen housing assistance applicants based on several federally required criteria, and have the option to establish additional screening criteria. SESA would make several changes to the screening process for the housing voucher program, including limiting optional screening criteria to those directly related to the family's ability to meet the obligations of the lease and requiring housing agencies to consider mitigating factors before denying assistance.

These important improvements, for example, would prevent a family from being denied assistance if it has a good record of paying rent on time but has a poor credit history for other reasons (as many poor families do). They would make it more likely that housing vouchers would go to homeless people and others with an urgent need for assistance who might otherwise face a high risk of being denied for arbitrary reasons.

Unfortunately, the current SESA draft drops a provision of some versions of SEVRA that would have made similar (and equally important) changes in the public housing and project-based Section 8 programs. Congress could extend the changes to those programs by restoring the omitted provisions or simply by giving HUD authority to establish common requirements for all rental assistance programs.

SESA also would add an important protection for families being shifted from assistance under the public housing or HUD multifamily programs to housing vouchers due to the elimination of the former project-based assistance for the properties in which they reside. The bill recognizes that such families are not new to HUD assistance and should be considered as continuing participants rather than new applicants subject to initial screening. This change also will reduce administrative burdens for PHAs administering the new tenant protection vouchers.[7]

Making Vouchers More Effective In Special Circumstances

The draft SESA bill omits two worthwhile provisions included in the versions of SEVRA considered by the House in the last Congress that would enable the voucher program to work more effectively in two special circumstances: when people with disabilities need to rent a somewhat more expensive unit because its special features are needed to accommodate their disabilities, and when a family with a voucher wants to use it to reside in manufactured housing (mobile homes). Current law does not permit the flexibility these situations require. The number of people affected is so few that the cost impacts would be *de minimis*.

Providing Local Flexibility to Adjust Voucher Payments to Accommodate The Special Needs of People with Disabilities

Housing agencies today can permit people with disabilities to use vouchers to rent more expensive units than is permitted for other families, if this is necessary to accommodate their disability. But if this requires a subsidy cap (or "payment standard") above 110 percent of the local Fair Market Rent, the agency must obtain special approval from HUD. A provision in SEVRA would reduce the need for this cumbersome process by allowing agencies to provide such exceptions up to 120 percent of the FMR without approval from HUD. Accessible units are often more expensive than the typical units in a given area, either because they require added investments by owners or simply because few such units exist. As a result, prompt access to exception payment standards like those permitted under the SEVRA provision can be crucial to the ability of people with disabilities to use vouchers.

[7] The new provision, included in section 11(a)(5) of the draft bill, requires technical corrections to the references to types of tenant protection vouchers, as the cross-citations on page 65, lines 4 and 8 are not included in the bill.

Allowing Vouchers to Be Used More Easily in Manufactured Housing

SESA drops a beneficial SEVRA provision that would allow vouchers to be used to cover loan payments, insurance payments, and other periodic costs of buying a manufactured home, in addition to the cost of renting a space on which to place the home. The combined payments would, however, be subject to the same maximum subsidy limits that apply to other vouchers. Currently, vouchers can be used to cover the full range of periodic homeownership costs for the purchase of a traditional home or a manufactured home set on land also purchased by the family. But if a family rents the space for a manufactured home, which is common in some states, the voucher subsidy is limited to about 40 percent of the assistance it could otherwise provide, and can only cover the space rental costs and not the costs of purchasing the home.

The SEVRA provision would allow vouchers to be used effectively in a segment of the housing market that in some areas is the most readily available source of affordable housing — and that for many families offers the most realistic avenue to homeownership. Congress should add this provision to SESA as the bill moves forward.

MTW Expansion Should Not Be Added to SESA

The current SESA draft omits a provision contained in some earlier House versions of the legislation that would have expanded sharply the number of agencies that can participate in HUD's Moving-to-Work (MTW) demonstration and renamed the demonstration the "Housing Innovation Program" (HIP). MTW allows HUD to waive federal statutes and regulations and establish special funding arrangements for agencies administering public housing and vouchers. The demonstration already has grown substantially in recent years, from 25 agencies in 2008 to 35 today. There is no persuasive rationale for expanding MTW further.

A number of well-run, innovative agencies participate in MTW today, and these agencies have implemented some promising strategies. MTW is poorly designed to achieve its main goals, however, such as testing policies to promote self-sufficiency or streamlining program rules. Moreover, MTW agencies serve far fewer families per dollar of federal funding than other agencies, on average, and their relatively rich funding arrangements shift resources away from non-MTW agencies. These harmful effects could worsen if the demonstration were expanded.

MTW Has Not Been Effective in Testing Policies to Promote Work

Despite its name, MTW is not focused primarily on promoting work and has been ineffective in testing policies to achieve this goal. MTW agencies have implemented policies such as employment services, time limits, work requirements, and changes to rent rules. While it is possible that some of these policies promote work, there is no reliable evidence of this.

This is largely because MTW was not designed as an experimental demonstration, in which randomly selected families receive housing assistance under alternative policies and are compared to otherwise-similar families who receive assistance under regular program rules. Such a design would require agencies to take on the added task of administering two sets of rules. But it is a standard

feature of successful policy demonstrations, because otherwise it is very difficult to determine the actual effects of experimental policies.

For example, MTW agencies are permitted to establish "flat rents" that are the same regardless of a tenant's income. Such rents are meant to encourage work, but could also increase hardship and even homelessness (because the poorest families may be charged more than they can afford) or waste money (because higher-income families receive larger subsidies than they need). Without an experimental evaluation, however, it is difficult to determine whether subsequent trends in employment, hardship, or costs stemmed from the flat rent policy or from other factors. such as local economic conditions or changes in the makeup of the agency's caseload.

In addition, MTW is an inefficient way to test policies, due to several flaws that would be difficult to fix without radically altering the demonstration. It allows agencies to expose all assistance recipients to untested policies rather than only the small share needed to determine the policies' effects. Moreover, HUD has permitted agencies to extend the application of experimental policies indefinitely whether or not they have proven effective. In addition, MTW institutes other harmful features that are often unrelated to the policies being tested, such as the costly funding arrangements described below.

If Congress wishes to identify which self-sufficiency policies work and should be scaled up, it could do so most effectively by creating a targeted, temporary, and rigorously evaluated demonstration — not by expanding MTW, which has failed for over a decade to generate meaningful findings about many of the key policies it has tested. The rent demonstration currently in SESA offers an opportunity to pursue this more promising approach, although as noted above, several changes should be made to strengthen that demonstration.

Administrative Streamlining Should Be Applied Nationally, Not to Select Agencies

Proponents of expansion argue that the flexibility MTW provides can enable agencies to streamline their programs and operate more efficiently and effectively. MTW, however, is not an effective mechanism to achieve streamlining. Where added streamlining and flexibility are warranted, they should be provided to all agencies (as SESA would do in areas such as rent determinations and inspections) or, in certain circumstances, to all high-performing agencies.

MTW, by contrast, gives a select group of agencies far more flexibility than is desirable to operate outside of the rules Congress established to ensure that housing assistance funds are spent effectively. For example, under MTW HUD can waive statutory restrictions on project-basing and permit agencies to raise the share of their vouchers they project-base far above the level allowed today (and also far above the modest increases permitted for non-MTW agencies under the SEVRA bills considered in the last Congress). HUD has also permitted many MTW agencies to eliminate the "resident choice" feature of the project-based voucher program, depriving families of the ability to move with rental assistance. Through such waivers, MTW has become a back-door way to overturn the decades-long congressional commitment to prohibit additional housing with rental assistance attached to the properties (except for new supportive housing for the elderly and people with disabilities) unless tenants retain an option to move with ongoing rental assistance.

In addition, extending broad flexibility to a large number of agencies in some areas — such as rent policy — could make housing assistance less efficient by fostering a complex patchwork of local rules. This would make it more difficult for HUD to provide adequate oversight, for private owners and lenders to navigate federal programs, and for families to use vouchers to move from one community to another.

MTW Funding Shifts Undercut Cost Effectiveness of Housing Assistance

Unlike other agencies, MTW agencies are permitted to shift funds appropriated for vouchers to other uses. In 2010, agencies shifted approximately $400 million to other purposes or left the funds unspent, leaving close to 40,000 funded vouchers idle that could have been used to assist needy families.[8] A non-MTW agency that left vouchers unused in this manner would face a sharp cut in funding in the following year, because its voucher subsidy and administrative funding are based on actual subsidy costs and the number of families it assists. But MTW formulas generally eliminate these incentives, allowing agencies to leave vouchers unused without adverse consequences.

MTW agencies have shifted voucher funds to a variety of purposes, including building or rehabilitating public or other affordable housing and contracts with local organizations to provide services. These expenditures may have benefits, but they do not extend housing assistance to additional families — or at least not enough to offset the vouchers left unused. In 2009, MTW agencies provided housing assistance to about 9 families per $100,000 in public housing and voucher funding, compared to 15 families at non-MTW agencies.[9]

Special MTW Funding Arrangements Have Diverted Funds from Other Agencies

The special funding arrangements provided to MTW agencies are, on average, far more generous than those provided to non-MTW agencies. MTW agencies received 32 percent more voucher funding per authorized voucher in 2010 than other agencies. In 2009, when Congress enacted a funding policy (a "reserve offset") that reduced funding for many non-MTW agencies, MTW agencies on average received 52 percent more funding per authorized voucher. Similarly, ten MTW

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[8] The data on MTW expenditures and families served discussed here cover the 30 agencies that participated in MTW throughout 2009 and 2010. Three additional agencies began participating in the demonstration between August 2010 and January 2011, and two more have been selected and are in the process of negotiating MTW agreements with HUD. Estimates of funds not spent on vouchers are based on HUD data on the amount of voucher subsidy funds provided to MTW agencies and the amount that the agencies spent on voucher subsidies. Some MTW agencies receive voucher administrative funding (which for non-MTW agencies is provided through a separate budget account) and subsidy renewal funds together in a single funding stream. In these cases, CBPP estimated the amount that was intended as administrative funding and deducted it from the agency's funding level before calculating the amount of funds unspent. Many MTW agencies receive more funds than they need to support all of their authorized vouchers, so only some 30,000 of these unused vouchers fall within agencies' authorized levels. MTW agencies are permitted to use vouchers above their authorized level, however, so they could have issued the full number of vouchers that their funding supported had they opted to do so.

[9] 2009 is the last year for which sufficient data are available to make this comparison. The calculations include families listed in HUD data or agency reports as receiving assistance during calendar year 2009 (or the most closely overlapping period available) through vouchers, public housing, or other comparable housing assistance provided through MTW-funded agency initiatives. The funding levels are for calendar year 2009 and include voucher subsidy funds, administrative fees, public housing operating funds and regular public housing capital formula grants, but not HOPE VI grants, replacement housing factor grants, or capital funds provided through the 2009 economic recovery package.

agencies received public housing operating funding in 2010 under special formulas, which on average provided 89 percent more funding per unit than other agencies received.

This added funding has sometimes come at the expense of other agencies, because in years when appropriations fall short of the full amount for which agencies are eligible, HUD reduces funding for all agencies on a prorated basis. In 2010, for example, HUD reduced voucher funding by 0.5 percent, forcing agencies to assist thousands fewer families than they could have with full funding. If MTW agencies had been subject to the same formula as other agencies, the voucher appropriation would have been adequate to cover the full amount for which all agencies were eligible, and the proration would not have been necessary. Similarly, without the extra cost of providing voucher funding to MTW agencies, the proration of renewal funding by more than 1 percent in 2011 likely would not have been necessary, and the steep cut in administrative fees for all agencies would have been reduced.

Conclusion

SESA would build on the voucher program's many strengths through a series of measured, targeted improvements that, taken together, would deliver important benefits to housing agencies, private owners, and low-income families. Moreover, because several of the bill's provisions extend beyond the voucher program, it also would improve the public housing and project-based Section 8 programs.

It is important that Congress not only act on SESA, but do so expeditiously. The need for housing assistance is unusually high today, with elevated levels of homelessness and poverty and widespread foreclosures. Yet Congress appears unlikely to expand resource for housing assistance, and is likely to consider substantial cuts — on top of the sharp reductions enacted in 2011 to voucher administrative fees, public housing capital grants, and other housing programs. At this time, the nation needs its housing assistance programs to be as efficient and effective as possible, and the measures in SESA would take major steps toward that goal. The bill's provisions have been fully vetted through deliberations in the past three congressional sessions. It is urgent to enact SESA before the end of 2011, so that its changes can apply to the 2012 funding year.

Building communities | Changing lives

Testimony for "Legislative Proposals to Reform the Housing Choice Voucher Program"
June 23, 2011

Section 8 Savings Act of 2011 – Flexibilities in Times of Limited Resources

We applaud Chairwoman Biggert and Ranking Member Gutierrez for their efforts in putting forward the Section 8 Savings Act (SESA) of 2011 as a step towards addressing the affordable housing shortage. There are several aspects of the draft bill that are commendable, providing housing authorities with some flexibility in their housing programs to reduce administrative burdens and better serve their communities.

As a Moving to Work (MTW) agency, we have benefited from the flexibility provided in administering our programs and services; particularly in these economic times that innovative solutions are critical to maintain sustainable programs with limited resources. A few of these examples that are aligned with some of the proposals in SESA include:

- Annual Recertification of Families: SESA proposes a three-year recertification of income for residents with fixed incomes such as elderly and disabled residents. Currently, PHAs are required to do annual recertifications, which is a very time consuming process, that if amended according to the bill would provide cost savings to agencies.
    - HACSB as an MTW agency: We implemented biennial recertifications for elderly and disabled households for which there is no earned income in both the public housing and housing choice voucher programs. This activity has generated a 1,755 reduction in staff hours associated with processing recertifications and has also resulted in reduced reporting burdens for the affected families. In our FY 2012 MTW Annual Plan, we are proposing to extend the biennial recertification for all families in our program in an effort to further increase operational efficiency.
- Fair Market Rents (FMRs): SESA proposes to retain the current FMR trending requirement and also emphasizes a PHAs ability to request a reevaluation of the fair market rents in its' jurisdiction.
    - HACSB as an MTW agency: The County of San Bernardino is the largest county in the contiguous United States, and it was difficult to accurately reflect the varying rental submarkets that exist through the current Fair Market Rent (FMR) established by HUD. HUD has defined HACSB's FMR area to include Riverside County, which does not accurately reflect the rental submarket because the FMR areas are too large and

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encompass a variety of submarkets with varying rent levels. An independent third party conducted detailed research and analysis, resulting in 9 rental submarkets. These not only more accurately reflect the demographics of the varying rental markets throughout the County of San Bernardino, but the anticipated annual savings is $8.6 million, which if realized could allow us to serve up to 981 additional families. The activity will also allow families to move to areas with better services, jobs, schools and transportation.

- Rent Reform and Income Reviews: SESA proposes to streamline the process for PHAs to calculate income and rent, reducing the administrative burdens for both the PHA staff and residents.
    - HACSB as an MTW agency: Activities like our Local Verification Policies and Elimination of Assets have reduced the reporting burdens on our families and resulted in 3,770 hours of staff time saved. Our Local Income Inclusion Activity, in which we include as income the entire Temporary Assistance to Needy Families amount, regardless of sanctions, was appreciated by the local Transitional Assistance Department of the County of San Bernardino. This increased accountability on our families and will encourage them to strive for self-sufficiency.

A Successful MTW Demonstration Site

In March 2008, the Housing Authority of the County of San Bernardino (HACSB) became one of only 1% of housing authorities nationwide to be designated a Moving to Work (MTW) demonstration site by the U.S. Department of Housing and Urban Development (HUD). MTW allows designated housing authorities to design and test ways to: 1) promote self-sufficiency among assisted families; 2) achieve programmatic efficiency and reduce costs; and 3) increase housing choices for low-income households.

At HACSB, the key to its successful MTW program is the committed staff, thirty-year strategic vision, and open communication with families and stakeholders. Currently, HACSB has twenty approved activities – seven specifically promote self-sufficiency, ten promote administrative efficiency and three promote increased housing choices. The activities that promote administrative efficiency have already produced results and enabled staff to focus on other areas of the program.

All activities go through a rigorous analysis at an agency level to ensure the feasibility of the potential initiatives. HACSB also supports resident and community participation in the development of its MTW demonstration. MTW activities have encouraged resident and landlord participation, overall improving communication between the agency and its partners.

MTW agencies are required to submit Annual Plans which include proposals for new initiatives and an Annual Report to report on the outcomes of the various initiatives as they relate to the three statutory objectives. In August 2010, HUD prepared a Report to Congress about MTW and the future of the demonstration. HACSB was acknowledged for our rigorous metrics tracking and identified as exceeding HUD's reporting requirements. We were also recognized by HUD for having one of the strongest initial evaluation components to our program.

HUD also recognized HACSB for its partnership with Loma Linda University (LLU) who is working with the agency in assessing its MTW activities. LLU developed a detailed assessment of the families participating in a work requirement pilot program, and in the near future the term limits activity. The purpose of the research component is to assess the feasibility of the activity while identifying and leveraging the appropriate partners to assist the residents in meeting the activity requirements. "Work" is defined as any of the following: employment, activities leading to gainful employment and activities removing barriers to gainful employment.

HACSB is committed to achieving significant results throughout the term of our MTW Agreement in order to meet the three statutory objectives, our long term vision, and the affordable housing needs of the residents of the County of San Bernardino.

Expansion of MTW Demonstration Sites

HACSB supports the incremental expansion of MTW Demonstration Sites as the program has proven effective as noted in a HUD report to Congress in August of 2010. PHAs should be given the opportunity to participate in the MTW Demonstration based on their merits as high performers and not based on the size of the agency as currently defined. Large MTW PHAs have proven to be very successful in their implementation of various MTW activities and additional large agencies should also be allowed to apply and participate if they are also high performing agencies. MTW provides administrative cost saving measures through program flexibility, which is critical as all PHAs continue to experience a decline in funding and available resources.

If MTW expansion language is written into the proposed SESA bill, we urge Congress to expand the number MTW agencies without attempting to create a replacement program for all MTW, such as the previous version of the Section 8 Voucher Reform Act (SEVRA) Housing Innovation Program section of the bill.

HACSB has invested significant time and resources to effectively transition into MTW, and so have various Congressional members and their staff. The agency's business practices have shifted completely, including aligning our agency's thirty-year strategic plan and MTW plans/activities. Transitioning abruptly from an MTW agency to some other designed program would require a complete shift, disrupting our efforts and progress to date. Existing MTW agencies should continue to operate under their current HUD contractual agreements.

For more information, please contact Susan Benner, Executive Director, via email at sbenner@hacsb.com or via phone at (909) 890-0644.

June 21, 2011

The Honorable Judy Biggert
Chair
Subcommittee on Insurance, Housing
and Community Opportunity

The Honorable Louis Gutierrez
Ranking Member
Subcommittee on Insurance, Housing
and Community Opportunity

Dear Chairwoman Biggert and Ranking Member Gutierrez,

The undersigned national affordable housing advocacy organizations are writing to commend you and the Subcommittee on Insurance, Housing and Community Opportunity of the House Committee on Financial Services for your consideration of provisions to improve and expand the Family Self Sufficiency (FSS) Program within the proposed Section Eight Savings Act (SESA) of 2011.

FSS is a proven approach to helping low-income residents of subsidized housing build assets and make progress toward economic security. FSS has been helping families in public housing and with Section 8 housing choice vouchers for more than 20 years. However, it is not currently available to families living in project-based Section 8 housing – one of the three major forms of HUD rental assistance. Its effectiveness is also hampered by a lack of funding stability due to the method of awarding annual FSS coordinator funding.

The FSS sections of the proposed legislation would address both of these challenges, increasing the effectiveness of FSS in helping low-income families make progress toward economic security. Specifically, the provisions would:

1. Stabilize funding for the housing choice voucher FSS program by changing the FSS coordinator funding stream from an annual competitive grant to an administrative fee. Families enroll in FSS for a five-year period. But under current practice, housing agencies must re-apply annually for continued funding for the coordinators that administer the program. This can lead to major disruptions in services for residents if an agency's coordinator funding is provided one year and eliminated the next. Indeed, in one past competition, HUD changed the criteria for applying for voucher FSS coordinator funding so thoroughly that more than 200 FSS programs lost all funding. The SESA provisions would provide greater stability by funding coordinators through annual administrative fees tied to program size and performance standards, ensuring housing agencies have sufficient funding to provide reliable, high-quality service to FSS participants.

2. Expand the number of families benefitting from FSS by opening up eligibility to families living in project-based Section 8 multifamily housing properties. Currently, more than one million low-income households living in subsidized housing are ineligible for participation in FSS for the sole reason that they live in project-based Section 8 rather than public housing or housing subsidized through a Section 8 housing choice voucher. The expansion of the FSS program to additional families residing in project-based multifamily properties will help these residents make progress toward economic security by providing access to individual case management that helps participants further their education and find jobs, coordinating access to support services such as child care and transportation, and offering financial incentives for increased work. Higher earnings and incomes improve the quality of life and reduce the amount of federal subsidy needed to keep families participating in the FSS program stably housed. In addition, to the extent that currently assisted families experience increases in incomes sufficient to enable them to afford housing costs without assistance, their housing subsidies could be made available to other families in need.

3. Amend existing policies to merge the Public Housing and HCV FSS programs into one unified FSS program. This change will reduce administrative duplication and costs and eliminate policy inconsistencies between the two programs. Additionally, the legislation clarifies program policies with regard to the uses of forfeited escrow accounts that are to be recycled to be used for the benefit of the FSS program.

   One further step toward FSS program unification and streamlining that would be beneficial would be to merge the funding sources for FSS coordinators so that a single federal funding source – the FSS administrative fee specified in SESA 2011 – would fund the coordinators of all eligible FSS programs.

Thank you for your leadership in strengthening and improving this beneficial program that increases assets and supports families' progress toward economic security. We look forward to working with you and the members of the Subcommittee to achieve the adoption of the FSS provisions in SESA 2011.

Sincerely,

American Association of Service Coordinators
National Housing Conference

June 21, 2011

Congresswoman Judy Biggert
House Financial Services Committee
2113 Rayburn House Office Building
Washington, DC 20515

Dear Congresswoman Biggert:

We are pleased that there is a hearing on the draft bill entitled the Section Eight Savings Act as this impacts private building owners and thousands of Illinois residents.

Our members appreciate the provision providing for the creation of project based voucher contracts of up to 20 years, subject to annual appropriations. This is important to mission-oriented developers of affordable housing because it significantly improves the ability of owners to obtain financing to acquire and rehabilitate housing for long-term affordable use.

We also support the provision to allow residents of project-based Section 8 properties to participate in Family Self-Sufficiency program activities.

We urge the Committee to retain the PBV provision included in the version of the Section Eight Voucher Reform Act in 2010 that would permit owner-managed site-based waiting lists, subject to PHA oversight and responsibility and requirements of applicable civil rights laws. We also urge that agencies be allowed to project-base tenant protection vouchers already in use in a building in order to preserve the affordability of a property and prevent displacement of existing residents.

These provisions would, at no cost, help to maintain residents' connection to needed health services or job opportunities provided by these properties and avoid the displacement of residents impacted by Section 8 contract terminations or prepayment of HUD assisted mortgages.

We also urge that the extension of HUD's Mark to Market program provided under Section 14 should include a broadly-supported provision that would reverse HUD's limitation on an incentive for nonprofit developers to acquire and preserve the long-term viability of properties that previously participated in the Mark to Market program. Language to this effect can be found in section 505 of H.R. 4868 as reported by the Committee in July of 2010.

Thank you for your consideration of these comments.

Sincerely,

Gene

Gene Moreno, Director of Policy
Chicago Rehab Network

June 23, 2011

The Honorable Judy Biggert
Chairman
House Financial Services Subcommittee on Insurance, Housing and Community Opportunity
2129 Rayburn House Office Building
Washington, DC 20515

Dear Madam Chair:

The undersigned groups representing owners, management agents, and lenders, who participate in HUD's assisted housing programs, offer our support of the discussion draft "Section 8 Savings Act of 2011" (SESA). Section 8 vouchers are a critical tool for housing millions of low-income American families.

The Housing Choice Voucher program has been extremely successful, but as with many other government programs, started to sag under the weight of too many burdensome and duplicative requirements. The discussion draft makes a number of important changes that will improve the program for all stakeholders.

Specifically, we support the following provisions:

Streamlined Property Inspection Requirements
We support the provisions allowing the inspection process to be streamlined. The draft legislation provisions related to inspections ensure that properties housing Section 8 voucher holders will be decent and safe, while improving the antiquated inspection process. Streamlining the inspection process allows tenants to move into their units more quickly and reduces multiple duplicative inspections over time.

Reliable Funding Formula
We are supportive of ensuring adequate funding for the program and a reliable funding formula. The provisions requiring funding allocations to be based on the Public Housing Agency's (PHA's) prior calendar year is a step in the right direction.

Limited English Proficiency (LEP) programs
We are pleased that the draft clarifies the LEP program. The draft language requires HUD to translate vital documents and establishes a task force to ensure access to translated material.

Project-based Vouchers
We appreciate the extension of the contract term for Project-based vouchers included in SESA and would welcome other administrative relief in this area. We would be happy to provide you with suggestions for improving the efficacy of Project-based vouchers, as well as suggestions to streamline use in conversion situations.

Recertification
We support the changes to recertification requirements for tenants on fixed incomes. The draft allows residents on fixed incomes to be recertified every three years, rather than annually. This will provide immediate administrative relief. We encourage the Subcommittee to consider streamlining certifications for other recipients.

Mark-to-Market Program
We support the addition of language that gives HUD the authority to re-structure FHA-insured multifamily loans through 2015.

In this difficult fiscal climate, it is important to note that these reforms would provide for a significant budget savings. At the same time, these revisions would allow more working families to qualify for vouchers, particularly in rural areas. We support the SESA discussion draft, and we look forward to working with the Committee as the legislation moves forward.

Sincerely,

Council for Affordable and Rural Housing
Institute for Responsible Housing Preservation
Institute of Real Estate Management
LeadingAge (formerly AAHSA)
National Affordable Housing Management Association
National Apartment Association
National Association of Affordable Housing Lenders
National Association of Home Builders
National Association of REALTORS®
National Leased Housing Association
National Multi Housing Council

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Testimony of Kristina Cook, CAE
House Financial Services Subcommittee on Housing and Community Opportunity
Legislative Proposals to Reform the Housing Choice Voucher Program
June 23, 2011

Thank you, Chairwoman Biggert and Ranking Member Gutierrez for permitting me to submit this statement on behalf of the National Affordable Housing Management Association (NAHMA). NAHMA is a trade association which represents multifamily property managers and owners whose mission is to provide quality affordable rental housing. NAHMA is also the voice in Washington for 20 regional affordable housing management associations nationwide.

NAHMA strongly supports the Section 8 Housing Choice Voucher Program. This versatile program is helping to stabilize the lives of millions of families by providing them access to affordable housing of their choice. Overall, it has been a highly successful public-private partnership. NAHMA looks forward to working with this Subcommittee to make further improvements to the Section 8 Housing Choice Voucher program, as well as the project-based Section 8 programs administered by the Department of Housing and Urban Development's Office of Housing.

NAHMA supports the Section Eight Savings Act (SESA). We believe this proposed legislation represents a positive step toward simplifying the administration of rental assistance. We support a number of the proposed reforms which will make such programs more user-friendly for rental housing providers, current residents and applicants for assistance.

My testimony will focus on the positive results that can be achieved by creating greater efficiencies in the housing choice voucher inspection process and authorizing a limited English proficiency technical assistance program at the Department of Housing and Urban Development (HUD). I would also like to discuss NAHMA's views on certain administrative reforms proposed in this bill.

Inspections

The streamlined inspection process proposed in SESA would remove a major obstacle for voucher holders in tight rental markets. Before a Section 8 voucher holder can rent a specific apartment, the administering agency must first inspect the unit to confirm that it complies with HUD-prescribed Housing Quality Standards (HQS). The resulting delays in lease-ups cause apartments to remain vacant. The financial implications of such delays are enough to deter many owners from participating in the program, especially in low-vacancy markets.

SESA proposes common-sense reforms to the inspection requirements that will help expedite the lease-up process for voucher holders. NAHMA strongly supports provisions in SESA which will:

- Permit housing agencies to approve lease-ups in properties which passed inspections under a program with standards as least as stringent as the HQS, such as the HOME or the Low Income Housing Tax Credit (LIHTC) program;
  - Streamlining this process will provide the residents with much needed housing sooner, and the owners are not losing income due to delayed move-ins;
  - Moreover, this reform will help the voucher program work better with other federal rental assistance programs;
- Allow minor repairs to be made after the tenant moves into the apartment; and
- Give public housing agencies (PHAs) the discretion to inspect units occupied by voucher holders every other year, rather than annually, for the term of the HAP contract.

Limited English Proficiency

NAHMA strongly supports Section 13 of the SESA draft, which authorizes a process allowing HUD to better serve persons with limited English proficiency by providing technical assistance to recipients of Federal funds.

HUD's limited English proficiency guidance became effective on March 7, 2007. The guidance states that recipients of HUD funding, including affordable rental housing providers, have an obligation to provide translated documents and oral interpretation services to persons who have difficulty communicating and reading in the English language. Originally, HUD provided no additional funding for affordable housing providers to offset the costs of providing language services. Another major concern with the guidance was HUD's failure to identify a specific list of documents housing providers would be expected to translate.

Section 13 of SESA is LEP authorization language which was crafted by representatives of affordable housing providers, civil rights advocates and HUD staff. In the summer of 2007, a coalition of multifamily housing representatives and civil rights advocates proposed LEP authorization language which addressed the cost and vagueness concerns raised by housing providers, and which would provide greater assistance to residents and applicants with limited English proficiency to ensure they would have meaningful access to HUD programs. In late 2010, HUD staff requested a number of changes to the proposal. The resulting language (in Section 13) preserved most of the essential components of the original agreement. NAHMA is especially interested in the provisions which:

- Create a task force of industry and civil rights stakeholders to identify vital documents (to include both official HUD forms and unofficial property documents);
- Require HUD to translate the vital documents within six months;
- Create a HUD-administered 1-800 hotline to assist with oral interpretation needs; and
- Authorize appropriations.

Since the LEP authorization language was first proposed, HUD has received modest appropriations to provide LEP technical assistance to recipients of federal funds. Congress appropriated $380,000 in Fiscal Year 2008 and another $500,000 in each of Fiscal Years 2009 through 2011 for HUD to provide LEP technical assistance and document translations. The Department has used this funding to create a considerable number of translated forms, notices and fact sheets used to support its programs. The translations are available on the Fair Housing and Equal Opportunity website, http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/promotingfh/lep.

We commend HUD's progress in making translated documents available, but we strongly believe the authorization language is still necessary. First, it reaffirms Congress' commitment to provide consistency in the level of service for individuals with LEP. The result of eliminating funding for LEP services would be to leave properties to their own resources in providing language assistance, which would lead to an inconsistent level of service and inconsistent quality of translations for individuals with LEP. Secondly, through the Task Force created in the bill, the language establishes an ongoing, collaborative process for stakeholders and civil rights advocates to identify documents to be translated. These documents would include official HUD forms, unofficial property-level documents or other vital documents. Ongoing review of documents by the Task Force will be essential to ensuring that previous translations are updated as necessary (especially when there are changes to the English-language versions), and new documents are translated as needed. Once documents are identified by the Task Force, HUD would have a six-month deadline for providing translated documents. We believe this deadline is important to ensure that property owners and other recipients of HUD funds have

timely access to the translations necessary to serve individuals with limited English proficiency. Finally, SESA provides an essential safe-harbor for oral interpretation services. Although HUD's LEP guidance provided a safe-harbor to help determine when written translations were necessary, no such guidance was provided for oral interpretation. This bill authorizes a HUD-administered interpretation service hotline to supplement resources available in the community. SESA authorizes $5 million for the telephone service, but if the cost exceeds $5 million, HUD is permitted to charge a reasonable fee to property owners and other funding recipients.

Other Important Provisions

Rent Reform and Income Reviews

Section 3 of the bill simplifies the requirements used to calculate rents and to determine income eligibility for rental assistance. NAHMA is especially supportive of provisions which would replace the annual income certification requirement for families on fixed incomes. Instead, the public housing authority or property owner would review their incomes at least once every three years. NAHMA believes this change will greatly assist elderly and disabled households whose income and sources of income do not vary much from year- to- year.

Enhanced Vouchers

On several occasions, NAHMA has called on Congress to provide enhanced vouchers to tenants whose rents would be unaffordable after the HUD mortgage matures and the affordability requirements (which are linked to the mortgage) expire. The draft bill creates a new eligibility event for enhanced vouchers when HUD-insured mortgages mature. However, this provision is limited to properties with maturing mortgages which would have qualified for enhanced vouchers if the owner had prepaid the mortgage before the maturity date. Although it is limited in scope, NAHMA believes Section 8 of SESA represents an important first step in protecting tenants who live in buildings with maturing mortgages.

Project-based Vouchers

Project-based vouchers are an important tool in expanding the supply of affordable housing, particularly when used with the tax credit program. These vouchers allow owners to build affordability into their properties.

NAHMA supports changes in Section 9 which extend the maximum allowable housing assistance payment (HAP) contract term between the Public Housing Agency and owner from 15 to 20 years. In our members'

experience, lenders prefer 20-year rental assistance contracts to short-term contracts. The long-term HAP contracts help developers to secure more favorable underwriting terms.

Mark-to-Market Reauthorization

NAHMA is pleased that Section 14 of SESA extends HUD's authority to restructure mortgages under the Mark-to-Market program. The Multifamily Assisted Housing Reform and Affordability Act (MAHRA) of 1997 requires HUD to hold project-based Section 8 rents to market levels. This part of the statute is permanent. However, MAHRA also gave HUD authority to restructure the debt on FHA-insured properties with expiring Section 8 contracts in order to recapitalize the property and allow it to operate successfully with lower rents. Unless Congress extends HUD's restructuring authority under MAHRA, it will expire on October 1, 2011. SESA extends HUD's authority to restructure the mortgages to October 1, 2015. This extension preserves an incentive for properties to continue participating in the project-based Section 8 program under market-based rents.

Fair Market Rent

HUD's FY 2012 budget sought to eliminate the statutory requirement for the Department to publish Fair Market Rents (FMRs) on October 1. NAHMA is pleased that Section 13 of SESA preserves this mandate. We also urge the authorizers to ensure that interested stakeholders and members of the public continue to enjoy a meaningful opportunity to comment on FMRs before they take effect.

Timely, predictable publication of the FMRs is essential because FMRs are necessary to calculate the income limits used to determine rents in Low Income Housing Tax Credit properties. Furthermore, HUD has proposed a number of substantial regulatory changes to the methodology for calculating FMRs. These changes will affect the Section 8 voucher program and other rental assistance programs. In this context, NAHMA believes it is inappropriate to implement a major statutory FMR changes that have unknown ramifications across housing programs until HUD stabilizes the regulatory changes it is implementing to this important indicator.

Conclusion

Thank you again for allowing NAHMA to comment on the draft SESA legislation. NAHMA supports this bill, and we look forward to working with you to advance the important reforms SESA proposes.

June 23, 2011

The Honorable Judy Biggert
Chair, House Insurance, Housing & Community Opportunity Subcommittee
2129 Rayburn House Office Building
Washington, DC 20515

Dear Madam Chair:

The National Multi Housing Council (NMHC) and the National Apartment Association (NAA) applaud your leadership for holding a hearing on the Section 8 program and offer our support for the concepts contained in the "Section 8 Savings Act of 2011" (SESA) discussion draft. Professional apartment owners, in partnership with housing administrators, have made great strides in helping low-income families find quality affordable rental housing through the Section 8 program – a partnership that helps the community as a whole. NMHC/NAA support the Section 8 program as a means to engage private housing providers in making affordable rental housing available to families who need it.

NMHC and NAA represent the nation's leading apartment firms. Our combined memberships are engaged in all aspects of the industry, including ownership, development, management and finance. NMHC represents the principal officers of the industry's largest and most prominent firms. NAA is the largest national federation of state and local apartment associations, with 170 state and local affiliates comprised of more than 50,000 members. Together we represent approximately six million apartment homes.

NMHC/NAA strongly support the Section 8 housing choice voucher program, which has long served as America's primary rental subsidy program. The program, which provides subsidized rents for low-income families in private rental housing, can be one of the most effective means of addressing the need for affordable housing. It allows families to choose their housing and helps reduce the concentration of poverty.

However, the program has been plagued with inefficiencies and onerous bureaucratic requirements that increase the cost to rent to a Section 8 voucher holder and discourage private owners from accepting Section 8 vouchers. Owners who participate in the program must sign a three-way lease with the resident and the housing authority, and they are subject to (often cumbersome) program restrictions such as repetitive unit inspections, resident eligibility certification and other regulatory paperwork.

The program has also been plagued with a flawed and volatile funding system, which has undermined private sector confidence in the program. With the 112th Congress focused on austerity measures and deficit reduction, insufficient funding is expected to be worse in the near-term budget cycles. With that in mind, it is imperative that Congress streamline the program to utilize available resources.

Recognizing the regulatory burden the program places on private owners, Congress specifically made participation in the program voluntary. However, at the state and federal levels, efforts have been undertaken to make it illegal for a private owner to refuse to rent to a Section 8 voucher holder. While superficially appealing, such mandates are ultimately self-defeating because they greatly diminish private investment in affordable housing and reduce the supply. Increased participation should occur because the program has been reformed, and renting to a Section 8 voucher holder (from the owner's perspective) is comparable to renting to an unsubsidized renter.

If the housing needs of America's low- and moderate-income families are going to be met, it is imperative that we improve the Section 8 program and preserve its voluntary nature.

1850 M Street, NW, Suite 540 ▪ Washington, DC 20036 ▪ 202.974.2300 ▪ FAX 202.775.0112 ▪ www.nmhc.org ▪ info@nmhc.org

NMHC/NAA are pleased that the Committee draft legislation, the "Section 8 Voucher Reform Act of 2011," attempts to establish positive reforms in the Section 8 program.

Property Inspections

Streamlining the property inspection process is sorely needed. The current property inspection requirements are time-consuming and expensive. The proposed changes in the draft legislation will eliminate multiple inspections of units that have already been inspected for FHA financing or participation in the Low-Income Housing Tax Credit program or other assisted housing programs. This change will continue to ensure housing quality and avoid costly delays currently associated with unit lease-ups under the voucher program.

Reliable Funding Formula

A reliable funding formula is imperative. Property owners seek reliability and consistency when participating in federal housing programs, particularly when it comes to funding and financing. The draft utilizes Public Housing Agency leasing data from the previous calendar year as a means by which to determine funding levels. We are hopeful that past disruptions in the funding formula will be avoided, as they discourage private market participation and negatively impact residents and owners.

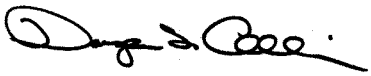
Limited English Proficiency

Broadening access to federal housing programs for persons of limited English proficiency (LEP) is an important goal. It is critical that if the U.S. Department of Housing and Urban Development (HUD) is going to require the translation of "vital" and other documents that HUD also provide the translations, as well as provide access to oral translations. The LEP provision in the draft ensures that persons with limited English proficiency have access to accurate documents and that the provision of these documents and services is cost-effective. We are supportive of the establishment of a task force comprised of stakeholder entities.

Lawmakers should take action to help the Section 8 program truly meet the affordable housing needs of the nation's citizens. Thank you for your commitment to housing; we look forward to working with you to forge a solution.

Sincerely yours,

Douglas M. Bibby
President
National Multi Housing Council



Douglas S. Culkin, CAE
President
National Apartment Association

June 21, 2011

Chairwoman Judy Biggert
Ranking Member Luis Gutierrez
House Financial Services Committee
B-303 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Biggert and Ranking Member Gutierrez:

Thank you for holding a hearing on the draft bill entitled the Section Eight Savings Act.

Stewards of Affordable Housing for the Future (SAHF) is a coalition of nine of the nation's largest highest-capacity nonprofit owners and developers of affordable rental housing. SAHF's members represent more than 90,000 affordable homes in 49 states and the District of Columbia. SAHF's members are committed to long-term, sustainable ownership and continued affordability of multifamily rental properties for low-income families, seniors, and disabled individuals.

Our members appreciate the provision providing for the creation of project based voucher contracts of up to 20 years, subject to annual appropriations. This is important to mission-oriented providers of affordable housing because it significantly improves their ability to obtain financing to acquire and rehabilitate housing for long-term affordable use.

We also support the provision to allow residents of project-based Section 8 properties to participate in Family Self-Sufficiency program activities.

However, we urge the Committee to retain the provision relating to project-based vouchers included in the version of the Section Eight Voucher Reform Act in 2010 that would permit owner-managed site-based waiting lists, subject to PHA oversight and responsibility and requirements of applicable civil rights laws. We also urge that agencies be allowed to project-base tenant protection vouchers already in use in a building in order to preserve the affordability of a property and prevent displacement of existing residents.

These provisions would, at no cost, help to maintain residents' connection to needed health services or job opportunities provided by these properties and avoid the displacement of residents impacted by Section 8 contract terminations or prepayment of HUD assisted mortgages.

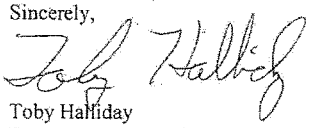
Stewards of Affordable Housing for the Future · 555 11th St NW · Suite 525 · Washington DC 20004
www.sahfnet.org · phone (202) 737-5970 · fax (202) 737-5971

Mercy Housing · National Affordable Housing Trust · National Church Residences · The NHP Foundation ·
NHT/Enterprise Preservation Corporation · Preservation of Affordable Housing · Retirement Housing Foundation
The Evangelical Lutheran Good Samaritan Society · Volunteers of America

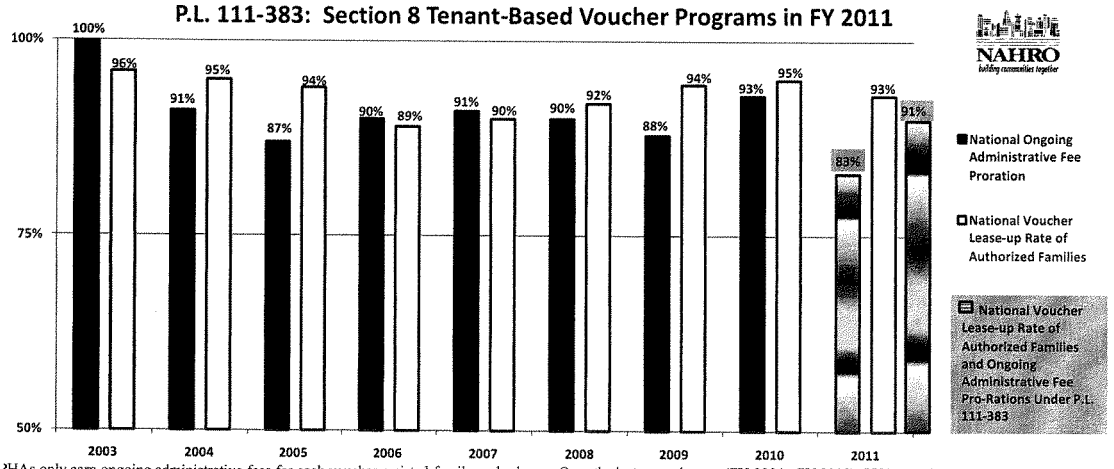
We also urge that the extension of HUD's Mark to Market program provided under Section 14 should include a broadly-supported provision that would reverse HUD's artificial limitation on an incentive for nonprofit developers to acquire and preserve the long-term viability of properties that previously participated in the Mark to Market program. Language to this effect can be found in section 505 of H.R. 4868 as reported by the Committee in July of 2010.

Thank you for your consideration of these comments.

Sincerely,



Toby Halliday
Executive Vice President



PHAs only earn ongoing administrative fees for each voucher-assisted family under lease. Over the last several years (FY 2004 - FY 2010), PHAs received annual *average* 90 percen pro-rations (or a -10 percent cut) as compared with the benchmark in effect since 1998 under the "Quality Housing and Work Responsibility Act of 1998" (QHWRA). Under the fina FY 2011 Continuing Resolution appropriations law (P.L. 111-383), PHAs' ongoing administrative fees were cut by $128 million (-8.38 percent) in FY 2011 compared with FY 2010 HUD estimates that the ongoing administrative fee reduction will result in an approximate 83 percent pro-ration for the twelve months in 2011. With the passage of a final FY 201 Continuing Resolution appropriations law (P.L. 111-383), as a percentage of program funds for voucher participants the Housing Choice Voucher (HCV) program's ongoing an special administrative fee funding level in FY 2011 is only 8.38 percent - resulting in the lowest ongong administrative fee pro-ration percentage in the 36 year history of the vouche program. While P.L. 111-383 provided 98.81 percent Housing Assistance Payments (HAP) pro-rations to serve the families with vouchers under lease in FFY 2010 (10/01/09 - 09/30/10), the Act reduced the HCV program's ongoing administrative fees to approximately 83 percent of the amount of the fee rate authorized by Congress to adequately administe HCV, HUD-VASH, Mainstream and Family Unification Program vouchers. **The percentage gap between ongoing administrative fee pro-rations (83%) and the national lease-u rates that could theoretically be supported (93-95%) is the widest in the history of the voucher program. NAHRO's March 1 -18, 2011 survey of PHAs shows that, even wit the HAP funding provided in the Act, the cuts in ongoing administrative fees to 83 percent pro-rations for 2011 will likely result in widespread PHA staff layoffs an workload increases which could lead to approximately 87,352 fewer families leasing through the voucher program in 2011 than leased in 2010. This would be the larges drop in voucher-assisted families in the shortest period of time in the history of the voucher program.** NAHRO's estimate of 93 percent national voucher leasing rates in 201 white column), is based solely on the number of families that could theoretically be supported with the level of directly appropriated voucher HAP funds under the Act relative to th HAP needed in CY 2011 to renew all households leased in CY 2010. However, after factoring 87,352 fewer families served in voucher programs due to PHA staff layoffs, staf furloughs and workload increases attributed to ongoing administrative fee funding cuts under the Act, NAHRO estimates national voucher leasing rates will drop by 4 percent from 9 percent to approximately 91 percent (striped column) over a twelve month period of time. NAHRO's estimates were modeled as if they were in place for the entire twelve months o 2011. If the combined impact of the Federal Fiscal Year HAP renewal funding formula and directly appropriated HAP dollars being insufficient to renew all leased families unde ease in CY 2010, than national voucher lease-up rates could fall to 89 percent over a twelve month period of time (through 6/30/12). Absent positive action such as HUD implementing immediate regulatory and administrative relief to PHAs (http://www.nahro.org/sites/default/files/searchable/HCVReliefLetterto AsstSecHenriquez an http://www.nahro.org/sites/default/files/searchable/Overview Memorandum and Attachments.pdf), reductions in the national voucher lease-up percentages for the first seven months (June - Decembe 2011) of the twelve months projected by NAHRO's survey study, would likely continue at least for another five months (January - May 2012) into next year

NAHRO's Expanded Survey and Analysis:
Effects of Downward Pro-ration in Housing Choice Voucher Administrative Fees on PHAs' Performance and Services in FY 2011

From March 15-25, NAHRO conducted a survey on administrative fees. The survey targeted agencies that administer Housing Choice Vouchers (HCVs), HUD-Veterans Affairs Supportive Housing (HUD-VASH), Family Unification Program (FUP), Mainstream (non-elderly disabled households), and Disaster Housing Assistance Program (DHAP). A total of 264 public housing agencies (PHAs) in 46 states responded, including city, county, multi-county and state-wide PHAs, and agencies that operate in rural, suburban and urban areas. NAHRO's expanded survey results and analysis are intended to help lawmakers appreciate the potential impact of FY 2011 administrative fee funding levels proposed under the "Full-Year Continuing Appropriations Act, 2011" (H.R. 1) and S. Amdt. 149, (an amendment to H.R. 1 in the nature of a substitute) respectively, on PHAs' ability to administer the HCV, HUD-VASH, FUP, Mainstream and DHAP voucher programs.

Legislative and Program Background: Housing Choice Voucher Program Administrative Fees

Under the "Full-Year Continuing Appropriations Act, 2011" (H.R. 1) as passed by the House of Representatives on February 19, 2011, there would be adequate funding for Housing Assistance Payments to provide 100 percent pro-ration for renewals of voucher-assisted contracts from FFY 2010. However, with $1.157 billion (24% cut below FY 2010 enacted) for over 2,300 PHAs that administer the Section 8 Housing Choice Voucher program, NAHRO estimates they would receive approximately 62 percent pro-rations in their ongoing administrative fees in CY 2011. Under S. Amdt. 149 - an amendment to H.R. 1 in the nature of a substitute - as voted upon by the Senate on March 9, 2011, there would also be enough funding for Housing Assistance Payments to provide 100 percent pro-ration for renewals of voucher-assisted contracts from FFY 2010. However, with only $1.525 billion provided for ongoing administrative fees, NAHRO estimates that PHAs would receive 82 percent pro-rations in their ongoing administrative fees in CY 2011.

A so-called "flat funding" of administrative fees at $1.525 billion for FY 2011 under S. Amdt. 149 would still result in a decrease in administrative fee pro-rations from 92 to 82 percent due to tenant-protection vouchers transferring from the project-based side of HUD-assisted housing units to the tenant-based side after the first year of set-aside funding, and into administrative fee renewal needs each year. To a much lesser extent incremental HUD-VASH vouchers and incremental Family Unification Program (FUP) vouchers rolling into tenant-based administrative fee renewal funding needs each year after their first year of set-aside funding is also a contributing factor. Over the last seven years PHAs have experienced an average pro-ration of 90 percent in ongoing administrative fees or 10 percent cuts each year compared with the statutory rate in place before enactment of the "Quality and Housing Work Responsibility Act of 1998."

Summary of NAHRO Administrative Fee Survey Results and Analysis

H.R. 1

If the "Full-Year Continuing Appropriations Act, 2011" (H.R. 1) as passed by the House of Representatives on February 19, 2011 were to be enacted into law resulting in 62 percent pro-rations in PHAs' ongoing administrative fees:

- 94 percent of respondents would have insufficient staff and administrative resources to administer the HCV program in order to serve at least the same number of households they leased in CY 2010;

- Adjusted for respondents compared with the universe of PHAs administering tenant-based voucher programs, NAHRO's analysis shows that even with adequate Housing Assistance Payment funding to sustain the same number of families served in CY 2010, cuts in administrative fees under H.R. 1 would result in approximately 419,897 fewer families (-20 percent) being leased in voucher programs nationwide in 2011 than were leased last year; This would result in the largest drop in families leased in the shortest period of time in the 36 year history of the HCV program;

- 89 percent of respondents indicated they would have to lay off an average of 39 percent of their staff;

- 90 percent of respondents indicated they would have to increase staff workloads for an average of 76 percent of their staff;

- 87 percent of respondents would experience a severe hardship and be unable to continue the majority of HUD required operations. Respondents stated that budget cutting and commensurate reduction of resources would be necessary, resulting in being able to carry out 50 percent to 74 percent of HUD required responsibilities;

- 10 percent of respondents would experience a serious hardship requiring budget cuts that significantly reduce resources, leaving them able to carry out 75 percent to 89 percent of required responsibilities;

- While less than 3 percent of PHAs that administer the HCV program are rated by HUD's Section Eight Management Assessment Program (SEMAP) as currently "troubled," 55 percent of respondents stated that they would fall into "troubled" SEMAP status; and

- 87 percent of PHAs stated that there would be a severe hardship to carry out 50 percent to 74 percent of HUD required responsibilities including: selection from the waiting list, rent reasonableness, determination of adjusted income, utility allowance schedule, Housing Quality Standards (HQS) quality control inspections, HQS enforcement, expanding housing opportunities, fair market rent (FMR) limits and payment standards, annual reexaminations, correct tenant rent calculations, pre-contract HQS inspections, annual HQS inspections, lease-ups, family self-sufficiency (FSS) enrollment and escrow accounts, and deconcentration;

- 87 percent of PHAs stated that there would be a severe hardship to carry out 50 percent to 74 percent of HUD required responsibilities including: continuation of applicant / participant

criminal background screening, monitoring income targeting provisions, briefing families on how to use the program and how to find housing, establishing and updating the rent reasonableness survey, assisting landlord-resident disputes, enforcing the HAP contract and conducting grievance hearings, tracking success rate, utilization rate and forecasting voucher issuance, maintaining and updating the administrative plan, annual program reporting and monthly tenant reporting to HUD, homeownership program, program compliance, fraud investigations, rent reasonableness data base updates, utility allowance schedule research, employee training, landlord outreach to encourage deconcentration, special assistance to families (of any nature), portability processing, Limited English Proficiency (LEP), reasonable accommodations processing, special assistance to families to promote housing mobility including housing search assistance such as help in identifying available housing in low-poverty areas or providing transportation, security deposit assistance and family or credit counseling lower number of staff per household and property owner, and coordination with and development of partnerships with local service providers and public agencies.

S. Amdt. 149

If S. Amdt. 149 were to be enacted into law resulting in 82 percent pro-rations in PHAs' ongoing administrative fees:

- 91 percent of respondents would have insufficient staff and administrative resources to administer the HCV program in order to serve at least the same number of households they leased in CY 2010;

- Adjusted for respondents compared with the universe of PHAs administering tenant-based voucher programs, NAHRO's analysis shows that even with adequate Housing Assistance Payment funding to sustain the same number of families served in CY 2010, so-called "flat funding" of administrative fees under S. Amdt. 149 would result in approximately 195,179 fewer families (-9 percent) being leased in 2011 in voucher programs nationwide than were leased last year. This would result in the largest drop in families leased in the shortest period of time in the 36 year history of the HCV program;

- 68 percent of respondents indicated they would have to lay off an average of 26 percent of their staff;

- 87 percent of respondents indicated they would have to increase staff workloads for an average of 74 percent of their staff;

- 32 percent of respondents stated that they would experience a severe hardship and be unable to continue the majority of HUD required operations. Respondents stated that budget cutting and commensurate reduction of resources would be necessary, resulting in being able to carry out 50 percent to 74 percent of HUD required responsibilities;

- 51 percent of respondents would experience a serious hardship requiring budget cuts that significantly reduce resources, leaving them able to carry out 75 percent to 89 percent of required responsibilities;

- While less than three percent of PHAs that administer the HCV program are rated by HUD's Section Eight Management Assessment Program (SEMAP) as "troubled," 25 percent of respondents stated that they would fall into "troubled" SEMAP status;

- 32 percent of PHAs stated that there would be a severe hardship to carry out 50 percent to 74 percent of HUD required responsibilities including: selection from the waiting list, rent reasonableness, determination of adjusted income, utility allowance schedule, Housing Quality Standards (HQS) quality control inspections, HQS enforcement, expanding housing opportunities, fair market rent (FMR) limits and payment standards, annual reexaminations, correct tenant rent calculations, pre-contract HQS inspections, annual HQS inspections, lease-ups, family self-sufficiency (FSS) enrollment and escrow accounts, and deconcentration; and

- 32 percent of PHAs stated that there would be a severe hardship to carry out 50 percent to 74 percent of HUD required responsibilities including: continuation of applicant / participant criminal background screening, monitoring income targeting provisions, briefing families on how to use the program and how to find housing, establishing and updating the rent reasonableness survey, assisting landlord-resident disputes, enforcing the HAP contract and conducting grievance hearings, tracking success rate, utilization rate and forecasting voucher issuance, maintaining and updating the administrative plan, annual program reporting and monthly tenant reporting to HUD, homeownership program, program compliance, fraud investigations, rent reasonableness data base updates, utility allowance schedule research, employee training, landlord outreach to encourage deconcentration, special assistance to families (of any nature), portability processing, Limited English Proficiency (LEP), reasonable accommodations processing, special assistance to families to promote housing mobility including housing search assistance such as help in identifying available housing in low-poverty areas or providing transportation, security deposit assistance and family or credit counseling lower number of staff per household and property owner, and coordination with and development of partnerships with local service providers and public agencies.

National Implications of NAHRO's Survey Results and Analysis

Absent incremental Housing Choice Vouchers being appropriated in 2011 by Congress that serve a wide spectrum of low-income households (elderly, disabled, families with children, women who are victims of domestic violence, children being reunited with their families from foster care, homeless, at-risk of being homeless, households displaced due to natural disaster, etc.), attrition (i.e. "turnover") in the Housing Choice Voucher program is one of the only significant means the nation has to meet the unmet needs of unassisted households on PHAs' waiting lists.

According to HUD's "Worst Case Housing Needs 2009: A Report to Congress," released on February 1, 2011, "worst case housing needs" grew by nearly 1.2 million households, or more than 20 percent, from 2007 to 2009 and by 42 percent since 2001. "Worst case housing needs" are defined as very low-income households who paid more than half their monthly income for rent, lived in severely substandard housing, or both. An inadequate supply of housing affordable to low-income Americans is the leading contributor to homelessness. HUD estimated that in January 2009 nearly 1.6 million people were homeless and living in emergency shelters or transitional housing. Over 640,000 Americans are homeless on any given night, including 130,000 veterans. Family homelessness has risen along with the unemployment rate. The number of homeless families increased from 473,541 in 2007 to 516,724 in 2008, and then increased again to 535,447 in 2009. Meanwhile, the demand for federal rental assistance for low-income households continues to far outpace the supply—**only around one quarter**

of eligible low-income families receive federal rental assistance. According to the Census Bureau, in 2009 5.6 million households with incomes below the poverty line—or about 60 percent of all poor renter households— paid at least half of their income toward rent and basic utilities. That represents a 17 percent increase since the last survey in 2007 and a 45 percent increased compared to 2003.

HUD's Office of Policy Development & Research found that the national attrition ("turnover") rate in the Housing Choice Voucher program from 2008-2009 was 10.77 percent, with estimates showing that this figure slowed by a percentage point or two from 2009-2010 and 2010-2011. If there is an attrition (i.e. "turnover" rate between 8.77 – 10.77 percent of approximately 2.1 million low-income households currently leased in HUD's voucher programs, it would result in approximately 184,170 - 226,170 unassisted low-income households be served in 2011 with the amount of Housing Assistance Payments appropriated in HR 1 and S. Amdt. 149. However, at the current administrative fee funding levels in HR 1 and S. Amdt. 149 approximately 184,170 - 226,170 unassisted low-income households will not be served in 2011 through attrition and the nation will fall significantly further behind in helping meet its "worst-case" housing needs and assisting the homeless. This would have a dramatic adverse impact on the U.S. Interagency Council on Homelessness' Federal Strategic Plan to Prevent and End Homelessness, to help finish the job of ending veteran and chronic homelessness by 2015 and among families, youth, and children by 2020 as well as low-income households intended to be served under HUD's FY 2010 – FY 2015 Strategic Plan.

A Precipitous Drop in the Number of Families Served Would Also Result in Downward Spiral in PHAs' Administrative Fee Earnings

PHAs only earn ongoing administrative fees for each voucher-assisted family under lease. As PHAs' voucher lease-up rates fall precipitously due to insufficient administrative fee funding, PHAs' total administrative fees will spiral downward even further, thus imposing even greater constraints on PHA staffs' ability to serve families and property owners.

Retroactivity of Funding to January 1, 2011 Would Exacerbate Downward Pro-rations

Under HR 1 PHAs would have to absorb a $368 million cut in administrative fees (retroactive to January 1, 2011) into eight months (May 1 - December 31, 2011), which would multiply the impact of 62 percent annual pro-rations. This would leave PHAs receiving 52 percent pro-rations in administrative fees from May 1 - December 31, 2011. Under S. Amdt. 149, 82 percent annual pro-rations retroactive to January 1, 2011 would leave PHAs receiving 79 percent pro-rations in administrative fees from May 1 - December 31, 2011.

It is worth noting that NAHRO's estimates of the number of fewer families that would be served under HR 1 and S. Admt. 149 as a result of downward pro-rations in PHAs' administrative fees were based on 62 percent and 82 percent pro-rations respectively rather than the further reduced pro-rations from May 1 – December 31, 2011 associated with the retroactive effect to January 1, 2011. NAHRO's estimates of the number of fewer families that would be served under HR 1 and S. Admt. 149 as a result of downward pro-rations in PHAs' administrative fees were modeled as if they were in place for the entire twelve months of CY 2011. Absent positive action, reductions in the number of families which could be leased could continue into CY 2012 and future years well beyond NAHRO's estimates.

Experienced PHA Employees With Knowledge of Unique Assisted Housing Program Would Be Lost

In 2003, NAHRO conducted a survey of 112 PHAs of all sizes and housing markets in 38 states for agencies that administer the Housing Choice Voucher program. NAHRO's survey found that for 15 PHA employee classifications, PHA staff had significant years of experience in their positions. Not all PHAs of all sizes had all 15 employee classifications, but where employees in each classification existed, NAHRO's survey provided the following results.

PHA Employee Classification	Years of Experience in the Position
Executive Director	10
Deputy Director	12
Executive Assistant	11
Section 8 Manager	10
Chief Financial Officer	9
Housing Inspector	9
Inspections Manager (Sect. 8/HQS)	8
Admissions Manager	8
Dir. of Operations – Section 8	7
Human Resources Manager	7
Accounting Specialist	6
Resident Services Coordinator	5
Section 8 Intake Clerk	5
Secretary / Receptionist	5
Payroll Clerk	4

The Section 8 Housing Choice Voucher program has evolved into an administratively intensive program. As the HCV program has expanded in size, so too has the complexity of its regulatory framework and program administration. The Housing Choice Voucher program regulations overlay virtually every aspect of program administration and are unique to the assisted-housing arena. Layoffs at the scope PHAs stated would be necessary at 62 and 82 percent pro-rations in their administrative fee funding levels for FY 2011, would result in the loss of highly experienced PHA staff who know the complexities of administering the HCV program with low-income families, property owners, social service agencies and other community partners. The loss of such staff would have adverse impacts on the administration of the HCV program and those that it serves for FY 2011 and years to come.

As a percentage of program funds for voucher participants, the HCV program's ongoing and special administrative fee funding level is 9.6 percent, which is one of the least expensive Federal housing programs. The HCV program received the highest rating of any HUD program in the Office of Management and Budget's Program Assessment Rating Tool (PART) review.

Solution to the Problem

At less than 10.5 percent of the total amount of Housing Assistance Payments to administer tenant-based vouchers, PHAs could fully utilize over $16.9 billion in Housing Assistance Payments to fully serve the same number of families served last year. Providing approximately $200 million more than FY 2010 enacted levels for tenant-based administrative fees would provide a 92 percent pro-ration, and approximately $300 million more would provide a 100 percent proration.

With respect to administrative fees, underestimates of amounts necessary reflect in the inability of some agencies to fully utilize the Housing Assistance Payment (HAP) funding made available for rental assistance to families – i.e., programmatic inefficiency. NAHRO survey of PHAs conducted in September, 2009, revealed that 32 percent of PHAs could have served an additional 8 percent of families (up to their baseline number of vouchers) with the HAP funds and other assets available to them, but were unable to do so because of insufficient administrative fees. In short, it takes PHA employees to serve eligible families.

If you have questions about NAHRO's FY 2011 administrative fee survey, please contact Jonathan Zimmerman, Senior Policy Advisor – Housing Assistance Programs, at jzimmerman@nahro.org or toll-free at 877-866-2476 ext. 7213.

Attachment - Detailed Summary of NAHRO's Expanded Administrative Fee Survey Results

Impacts on PHA Performance and Services

Overall, how would you rate the following pro-rated ongoing administrative fees (at pre-QHWRA fee rates as is currently the case) to administer a well-run Section 8 Housing Choice Voucher (HCV) program in your community in 2011? By way of comparison, NAHRO estimates that PHAs' final ongoing administrative fee pro-rations in CY 2010 will be approximately 92 percent.

Severe hardship of an extreme nature, crippling impact to operations, unable to continue the majority of HUD required operations, with budget cutting and commensurate reduction of resources can carry out 50% to 74% of HUD required responsibilities. **Serious hardship** of a significant nature, major negative impact, requires budget cuts that significantly reduce resources, unable to continue some HUD required responsibilities, with budget cutting can carry out 75% to 89% of required responsibilities. **Moderate hardship**, moderate negative impact, requires budget cuts that result in reduced resources, inability to carry out all existing required responsibilities, with budget cutting can carry out 90% to 94% of required responsibilities. **Mild hardship**, can continue operations with additional budget tightening and other operational accommodations, can carry out 95% to 99% of required responsibilities. **No hardship at all**, no negative impact whatsoever.

2011 Administrative Fee Pro-ration Percent	Severe hardship	Serious hardship	Moderate hardship	Mild hardship	No hardship at all
62 Percent Pro-rated Administrative Fees	**87%**	**10%**	2%	0%	1%
82 Percent Pro-rated Administrative Fees	**32%**	**51%**	14%	3%	0%
90 Percent Pro-rated Administrative Fees	5%	16%	45%	32%	3%
100 Percent Pro-rated Administrative Fees	1%	1%	5%	25%	68%

Maintaining HCV Program Performance and Services

In CY 2011, if your PHA was funded at the annual ongoing administrative fee pro-rations listed below, would your agency be able to maintain the same level program performance and services you provided to voucher-assisted households and participating property owners in 2010?

2011 Administrative Fee Pro-ration	Yes	No
62 Percent Pro-ration	4%	**96%**
82 Percent Pro-ration	9%	**91%**
90 Percent Pro-ration	57%	**43%**
100 Percent Pro-ration	96%	**4%**

PHAs' Section Eight Management Assessment System (SEMAP) Ratings

As a result of the following ongoing administrative fee pro-rations in 2011, will any of your agency's performance in the following areas under HUD's Section 8 Management Assessment Program (SEMAP) be affected, as rated in your answer to the question about severe hardship, serious hardship, significant hardship, mild hardship, no hardship at all?

SEMAP Categories	62 Percent Pro-rated Administrative Fees	82 Percent Pro-rated Administrative Fees	90 Percent Pro-rated Administrative Fees	100 Percent Pro-rated Administrative Fees
#1 - Selection from the waiting list	**97%**	**81%**	40%	6%
#2 - Rent reasonableness	**96%**	**85%**	41%	7%
#3 - Determination of adjusted income	**98%**	**82%**	33%	5%
#4 - Utility allowance schedule	**96%**	**79%**	31%	7%
#5 - Housing Quality Standards (HQS) quality control inspections	**97%**	**82%**	40%	7%
#6 - HQS enforcement	**97%**	**86%**	41%	5%
#7 - Expanding housing opportunities	**97%**	**88%**	56%	13%
#8 - Fair Market Rent (FMR) limits and payment standards	**96%**	**79%**	42%	10%
#9 - Annual reexaminations	**97%**	**81%**	39%	6%
#10 - Correct tenant rent calculations	**96%**	**86%**	46%	5%
#11 Pre-contract HQS inspections	**95%**	**80%**	37%	6%
#12 - Annual HQS inspections	**96%**	**77%**	38%	4%
#13 - Lease-up	**97%**	**86%**	52%	9%
#14 - Family self-sufficiency (FSS) enrollment and escrow accounts	**98%**	**89%**	56%	9%
Deconcentration Bonus	**96%**	**83%**	57%	8%
Average	**96%**	**83%**	**43%**	**7%**

What is your agency's most recent Section Eight Management Assessment Program (SEMAP) rating?

PHA's Most Recent SEMAP Rating	Percent
"High Performer"	86%
Standard Performer"	12%
"Troubled Performer"	2%

As a result of the following pro-rated ongoing administrative fees in 2011, what do you anticipate your 2011 Section Eight Management Assessment Program (SEMAP) rating will be?

2011 Administrative Fee Pro-ration Percent	62 Percent Pro-ration	82 Percent Pro-ration
"High Performer"	**6%**	**13%**
"Standard Performer"	**38%**	**62%**
"Troubled Performer"	**55%**	**25%**

In CY 2011, will your agency's performance in the following core areas of the HCV program be affected at the following ongoing administrative fee pro-ration percentages, as rated in your answer to the question about severe hardship, serious hardship, significant hardship, mild hardship, no hardship at all?

Core Housing Choice Voucher Program Administrative Areas	62 Percent Pro-rated Administrative Fees	82 Percent Pro-rated Administrative Fees	90 Percent Pro-rated Administrative Fees	100 Percent Pro-rated Administrative Fees
• Waiting list eligibility determinations, briefings, etc.	**96%**	**84%**	41%	5%
• Initial inspections, rent reasonableness and lease-ups	**97%**	**85%**	43%	5%
• Annual re-exams	**97%**	**83%**	37%	4%
• Annual inspections	**97%**	**81%**	34%	3%
• Interim re-exams	**97%**	**88%**	47%	5%
• Complaint inspections	**98%**	**86%**	45%	7%
• Tenants' transfer of unit / relocation	**98%**	**87%**	47%	7%
• Program oversight and quality control	**97%**	**84%**	47%	7%
• Payment processing	**96%**	**80%**	30%	4%

• Financial processing	**97%**	**79%**	30%	5%
• Waiting list eligibility determinations, briefings, etc.	**97%**	**84%**	40%	5%
• Initial inspections, rent reasonableness and lease-ups	**96%**	**84%**	41%	5%
• Annual re-exams	**97%**	**85%**	43%	5%
• Annual inspections	**97%**	**83%**	37%	4%
• Interim re-exams	**97%**	**81%**	34%	3%
• Complaint inspections	**97%**	**88%**	47%	5%
Average	**98%**	**86%**	**45%**	**7%**

In CY 2011, will your agency's performance in these more specific areas be affected at the following ongoing administrative fee pro-ration percentages, as rated in your answer to the question about severe hardship, serious hardship, significant hardship, mild hardship, no hardship at all?

Detailed Administrative Functions of the Housing Choice Voucher Program	**62 Percent Pro-rated Administrative Fees**	**82 Percent Pro-rated Administrative Fees**	**90 Percent Pro-rated Administrative Fees**	**100 Percent Pro-rated Administrative Fees**
• Continuation of applicant / participant criminal background screening	**95%**	**79%**	35%	6%
• Monitoring income targeting provisions	**97%**	**79%**	37%	6%
• Briefing families on how to use the program and how to find housing	**97%**	**78%**	33%	4%
• Establishing and updating the rent reasonableness survey	**97%**	**84%**	43%	6%

• Assisting landlord-resident disputes, enforcing the HAP contract and conducting grievance hearings	**97%**	**84%**	**44%**	**7%**
• Tracking success rate, utilization rate and forecasting voucher issuance	**97%**	**77%**	35%	8%
• Maintaining and updating the administrative plan	**96%**	**83%**	47%	10%
• Annual program reporting and monthly tenant reporting to HUD	**98%**	**73%**	30%	3%
• Homeownership Program	**97%**	**84%**	52%	8%
• Program Compliance	**98%**	**81%**	39%	4%
• Fraud Investigations	**97%**	**90%**	52%	7%
• Rent Reasonableness data base updates	**97%**	**83%**	44%	7%
• Utility Allowance schedule research	**97%**	**80%**	36%	5%
• Employee training	**97%**	**89%**	60%	14%
• Landlord Outreach to encourage deconcentration	**97%**	**86%**	52%	12%
• Special assistance to families (of any nature)	**98%**	**86%**	51%	10%
• Portability processing	**97%**	**87%**	43%	7%
• Limited English Proficiency (LEP)	**98%**	**83%**	48%	9%
• Reasonable Accommodations				

processing	**97%**	**82%**	37%	6%
• Special assistance to families to promote housing mobility including housing search assistance such as help in identifying available housing in low-poverty areas or providing transportation, security deposit assistance and family or credit counseling lower number of staff per household and property owner	**97%**	**88%**	57%	11%
• Coordination with and development of partnerships with local service providers and public agencies	**98%**	**90%**	48%	11%
• Participation in NAHRO Awards competition	**98%**	**87%**	55%	13%
Average	**97%**	**83%**	**45%**	**8%**

Estimated Percentage of Families Leased with Insufficient Admin. Fees

Assuming your agency has adequate Housing Assistance Payment (HAP) funding and Net Restricted HAP Assets (NRA) in 2011, will your agency have sufficient staff and administrative resources to administer your HCV program and serve at least the same number of households your agency leased in CY 2010 at the following pro-ration percentages?

2011 Administrative Fee Pro-ration	Yes	No
62 Percent Pro-ration	6%	**94%**
82 Percent Pro-ration	19%	**81%**
90 Percent Pro-ration	67%	**33%**
100 Percent Pro-ration	96%	**4%**

If you answered "no" to the above question, what percentage of the families leased in CY 2010 do you expect to lease in CY 2011 as a direct result of the following pro-rated ongoing administrative fees in CY 2011?

2011 Administrative Fee Pro-ration Percent	62 Percent Pro-ration	82 Percent Pro-ration	90 Percent Pro-ration	100 Percent Pro-ration
% of PHAs that will serve **95-99%** of HCV-assisted households leased in 2010	**7%**	**12%**	55%	88%
% of PHAs that will serve **90-94%** of HCV-assisted households leased in 2010	**11%**	**24%**	29%	10%
% of PHAs that will serve **85-89%** of HCV-assisted households leased in 2010	**13%**	**28%**	5%	1%
% of PHAs that will serve **80-84%** of HCV-assisted households leased in 2010	**16%**	**15%**	8%	0%
% of PHAs that will serve **75-79%** of HCV-assisted households leased in 2010	**12%**	**8%**	2%	1%
% of PHAs that will serve **70-74%** of HCV-assisted households leased in 2010	**13%**	**6%**	1%	0%
% of PHAs that will serve **65-69%** of HCV-assisted households leased in 2010	**7%**	**2%**	1%	0%
% of PHAs that will serve **60-64%** of HCV-assisted households leased in 2010	**22%**	**5%**	1%	0%

Impacts on PHA Staff/Personnel

Layoffs: Due to the following pro-rated ongoing administrative fee earnings in CY 2011, will your agency lay off staff?

2011 Administrative Fee Pro-ration	Yes	No
62 Percent Pro-ration	**86%**	14%
82 Percent Pro-ration	**68%**	32%
90 Percent Pro-ration	**23%**	77%
100 Percent Pro-ration	**3%**	97%

If applicable, what percentage of your agency's total direct staff working on the voucher program and proportional share of indirect staff's time/expense dedicated to the voucher program (e.g. Executive Director of multiple programs if applicable) do you estimate will be laid off in 2011?

2011 Administrative Fee Pro-ration	Average % of PHA FTEs That Will Be Laid Off	Median % of PHA FTEs That Will Be Laid Off
62 Percent Pro-ration	**39%**	**35%**
82 Percent Pro-ration	**26%**	**20%**
90 Percent Pro-ration	**11%**	**5%**
100 Percent Pro-ration	**4%**	**0%**

Reduction in Salary and/or Benefits: Due to the following pro-rated ongoing administrative fee earnings in 2011, will your agency likely decrease your staff's wages and/or benefits?

2011 Administrative Fee Pro-ration	Yes	No
62 Percent Pro-ration	**76%**	24%
82 Percent Pro-ration	**70%**	30%
90 Percent Pro-ration	**33%**	67%
100 Percent Pro-ration	**8%**	92%

If applicable, what percentage of your agency's total direct staff working on the voucher program and proportional share of indirect staff's time/expense dedicated to the voucher program (e.g. Executive Director of multiple programs if applicable) do you estimate will be affected by decreasing wages and/or benefits in 2011?

2011 Administrative Fee Pro-ration	Average % of PHA FTEs That Will Have Reductions in Wages and/or Benefits	Median % of PHA FTEs That Will Have Reductions in Wages and/or Benefits
62 Percent Pro-ration	**81%**	**100%**
82 Percent Pro-ration	**76%**	**100%**
90 Percent Pro-ration	**49%**	**25%**
100 Percent Pro-ration	**17%**	**0%**

Freeze in Salary and/or Benefits: Due to the following pro-rated ongoing administrative fee earnings in CY 2011, will your agency likely freeze your staff's wages and/or benefits?

2011 Administrative Fee Pro-ration	Yes	No
62 Percent Pro-ration	**96%**	4%
82 Percent Pro-ration	**93%**	7%
90 Percent Pro-ration	**71%**	29%
100 Percent Pro-ration	**29%**	71%

If applicable, what percentage of your agency's total direct staff working on the voucher program and proportional share of indirect staff's time/expense dedicated to the voucher program (e.g. Executive Director of multiple programs if applicable) do you estimate will be affected by freezing wages and/or benefits in 2011?

2011 Administrative Fee Pro-ration	Average % of FTEs That Will Have Frozen Wages and/or Benefits	Median % of FTEs That Will Have Frozen Wages and/or Benefits
62 Percent Pro-ration	**84%**	**100%**
82 Percent Pro-ration	**82%**	**100%**
90 Percent Pro-ration	**66%**	**96%**
100 Percent Pro-ration	**33%**	**0%**

Staff Workloads: Due to the following pro-rated ongoing administrative fee earnings in CY 2011, will your agency increase the number of families for which staff are responsible, or the number of units for which staff inspect and/or determine rent reasonableness, or the scope of job responsibilities staff assume(d), or the number of hours staff work per week were/are reduced with the same level of job responsibilities and clients, or the number of employees division managers/directors manage(d), etc.?

2011 Administrative Fee Pro-ration	Yes	No
62 Percent Pro-ration	**90%**	10%
82 Percent Pro-ration	**87%**	13%
90 Percent Pro-ration	**62%**	38%
100 Percent Pro-ration	**14%**	86%

If applicable, what percentage of your agency's total direct staff working on the voucher program and proportional share of indirect staff's time/expense dedicated to the voucher program (e.g. Executive Director of multiple programs if applicable) do you estimate will have increased workloads in 2011?

2011 Administrative Fee Pro-ration	Average % of PHA FTEs That Will Have Increased Workloads	Median % of PHA FTEs That Will Have Increased Workloads
62 Percent Pro-ration	**76%**	**100%**
82 Percent Pro-ration	**74%**	**80%**
90 Percent Pro-ration	**48%**	**40%**
100 Percent Pro-ration	**18%**	**0%**

Composition of 264 PHA Respondents to NAHRO's March 2011 HCV Admin. Fee Survey

PHA Unit Size Agency Units (HCV, HUD-VASH, Mainstream, FUP and DHAP Voucher Programs)	PHA Size As a Percentage of All PHA Survey Respondents
1-99 units	33%
100-299 units	18%
300-499 units	11%
500-999 units	12%
1,000-2,999 units	17%
3,000-4,999 units	3%
5,000-9,999 units	4%
10,000-29,999 units	2%
30,000 and greater units	0%

PHAs' Housing Market(s)	Percentage
Metropolitan	27%
Suburban	13%
Rural	30%
Metropolitan and suburban	13%
Metropolitan, suburban and rural	16%

PHAs' Geographic Service Area	Percentage
city	44%
county	40%
multi-county	14%
state	2%

PHAs in the following states are represented in NAHRO's survey including: AL, AR, AZ, CA, CO, CT, FL, GA, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NV, NY, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, VT, WA, WI, WI and WV.

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May 23, 2011

The Honorable Sandra B. Henriquez
Assistant Secretary for Public and Indian Housing
U.S. Department of Housing and Urban Development
Room 4100
451 Seventh Street, SW
Washington, D.C. 20410

Dear Assistant Secretary Henriquez:

First, let me thank you for including NAHRO in the recent "Delivering Together" briefing. NAHRO certainly appreciates the Department's comprehensive effort to identify and implement short-, medium-, and long-term regulatory and statutory reforms to decrease the regulatory and administrative burden faced by public housing agencies. However, when it comes to reducing such burden within the Section 8 Housing Choice Voucher program, NAHRO believes that significant reform is needed immediately.

While the "Department of Defense and Full-Year Continuing Appropriations Act of 2011 (P.L. 111-383) theoretically provides enough Housing Assistance Payment (HAP) funding to serve those families using a voucher in FY 2010 (Oct. 1, 2009 – Sept. 30, 2010), funding for the Housing Choice Voucher program's ongoing administrative fees is slashed. As a result, Public Housing Agencies (PHAs) face a steep downward proration in administrative fees for all of CY 2011, with an even lower pro-ration from June 1 through December 31 due to offsets retroactive to January 1. Although we acknowledge and appreciate that the administration advocated a much higher funding level, this is nevertheless the grim reality PHAs are now facing.

The 2011 funding level for administrative fees represents an unprecedented crisis within the HCV program. If they are not paired with meaningful reform, administrative fee funding reductions will have a devastatingly negative impact on agency operations and, by extension, those families assisted through vouchers. It is therefore incumbent on the Department to put in place a series of meaningful regulatory and administrative reforms, and to do so as soon as possible to ensure that PHAs maintain their capacity to adequately administer the HCV program after payments decline precipitously as early as June 1.

Attached, please find a memorandum and supporting attachments outlining desperately needed regulatory and administrative reforms to the HCV program. NAHRO believes the Department can and should implement these reforms immediately. As you may know, many of these recommendations have been communicated to the Department repeatedly, with some recommendations having been submitted to HUD PIH staff as early as August 2003. Our recommended reforms fall into the following general categories:

- Reforms relating to the administration of Section 8 tenant-based voucher programs,
- Reforms relating to the use of Housing Assistance Payments;
- Reforms to the Section Eight Management Assessment Program (SEMAP); and
- Reforms relating to portability.

In addition to our regulatory and administrative recommendations, please find attached NAHRO's newly recommended legislative language giving the HUD Secretary the authority to waive three specific Section 8 tenant-based voucher statutory requirements regarding: 1) annual Housing Quality Standard inspections; 2) annual household recertifications and 3) rent reasonableness determinations as the Department determines is necessary to reduce administrative requirements when ongoing administrative fees are pro-rated below 90 percent. We are providing this language to you in the hope that the Department will seek quick enactment through the identification of a viable legislative vehicle.

Akinola Popoola, PHM, President; **Betsey Martens,** Senior Vice President; **David Allen Brown,** PHM, SHM, Vice President-Member Services; **Larry Hopkins,** Vice President-Community Revitalization & Development; **Clifton C. Martin,** CMPO, SPHM, PHM, Vice President-Professional Development; **Elizabeth C. Morris,** Vice President-International; **Dianne Quast,** PHM, Vice President-Housing; **J. William Quirk,** Vice President-Commissioners; **Saul N. Ramirez, Jr.,** Chief Executive Officer

e-mail: nahro@nahro.org web site: www.nahro.org

During NAHRO's 2011 Legislative Conference Danielle Bastarache, Director of Voucher Programs briefly summarized HUD's pending regulatory and administrative reforms and the likely time frames for rulemaking on consortia, portability reform, and Section Eight Management Assessment Program (SEMAP) reform.

NAHRO believes strongly that beyond the regulatory reforms cited by HUD above, this moment in time represents one of the most important decision points the Department has ever faced in its oversight of the HCV Program. Now is not the time to politely acknowledge the industry's concerns and then delay action indefinitely until a consultant produces a long-gestating report that may never be read, let alone acted upon. PHAs across the nation are instead counting on their partner, the U.S. Department of Housing and Urban Development to exercise the bold, decisive leadership this moment requires. Put another way, this truly is a time to "go big or go home." Any course of action that falls short of the expeditious, meaningful reform we propose is, from our perspective, simply unacceptable.

I look forward to your prompt response. Please contact me if you require additional information.

Sincerely,

Saul N. Ramirez, Jr.
Chief Executive Officer

cc: Ms. Deborah A. Hernandez, Assistant Secretary for Public & Indian Housing, General Deputy Assistant Secretary
Mr. Milan Ozdinec, Deputy Assistant Secretary, Office of the Deputy Assistant Secretary for Public Housing & Voucher Programs
Ms. Danielle Bastarache, Director, Housing Voucher Programs
Mr. Michael S. Dennis, Deputy Director, Housing Voucher Programs
Mr. Donald J. Lavoy, Deputy Assistant Secretary for Field Operations Office of the Deputy Assistant Secretary for Field Operations

Encl.

Memorandum

To: Office of Public and Indian Housing, U.S. Department of Housing and Urban Development

From: National Association of Housing and Redevelopment Officials

Date: 5/24/2011

Re: Proposed Regulatory and Administrative Reforms and Statutory Language

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Congress passed major reforms to the Section 8 Housing Choice Voucher program (HCV) in 1998 under the Quality Housing Work and Responsibility Act (QHWRA). The act was designed to give public housing agencies (PHAs) the maximum feasible amount of authority, discretion and control, paired with an appropriate level of accountability to residents, localities and the general public. NAHRO believes that it is now time for HUD to build on the successes achieved through QHWRA.

House report language accompanying the FY 2006 HUD appropriations bill directed HUD to provide Congress with a list of administrative and regulatory changes that could be put in place in time to benefit PHAs for 2006. Under House Report 109-153, the House Appropriations Committee "direct[ed] the Department to take whatever regulatory and administrative actions it can to increase flexibility, reduce administrative burden and streamline program implementation." The Committee directed HUD "to provide a full report on the regulatory and administrative actions available to the Department by September 1, 2005." Congress has included similar direction to HUD in several subsequent conference reports accompanying enacted appropriations bills.

Since August 2003 and in successive years, NAHRO has requested that the Department move forward with the regulatory reforms in order to achieve greater program streamlining and efficiency, greater local flexibility, and cost savings within the HCV program. In the majority of cases, these regulatory and administrative reforms do not require any new legislation or additional appropriations. NAHRO's recommendations attempt to strike the right balance between reducing administrative burdens resulting from Section 8 tenant-based voucher statutes, regulations and administrative requirements along with increasing the availability of existing financial resources to PHAs for purposes of augmenting their directly appropriated ongoing administrative fees.

The attached documents list our priorities within each of the three major categories of regulatory and administrative recommendations. Attachment 1 includes recommendations for reducing PHAs' administrative burdens. Attachment 2 deals with improving opportunities for ongoing administrative fee revenues within existing resources. Attachment 3 deals with balancing improvements to HUD's Information Technology systems with ongoing administrative fee funding, as well as improving HUD's regulatory framework, and HUD's HCV Administrative Fee Study. These recommendations, if implemented, will provide PHAs with substantial relief and could be implemented in a short period of time.

In addition to our regulatory and administrative recommendations, we have enclosed newly developed recommended legislative language (Attachment 4) giving the HUD Secretary the authority to waive three specific Section 8 tenant-based voucher statutory requirements. We are providing this language to you in the hope that the Department will seek quick enactment through the identification of a viable legislative vehicle.

Upon request, we can provide copies of all of NAHRO's previously recommended reforms to Section 8 voucher programs, included recommendations related to the administration of Section 8 tenant-based voucher programs; the use of Housing Assistance Payments and Net Restricted HAP Assets; the Section Eight Management Assessment Program (SEMAP); portability; and improvements to HUD's Information Technology systems, including PIC and the Voucher Management System (VMS). All of our additional regulatory and administrative reforms in these areas were filed on May 3, 2011 with HUD's Regulations Division with the Office of General Counsel in response to Executive Order 13563- Reducing Regulatory Burden; Retrospective Review.

Attachment 1 - Reducing PHAs' Administrative Burdens

1) Suspend SEMAP Ratings for Purposes of Sanctions and Provide Advisory Scores Only (24 CFR 985)

NAHRO understands the importance of a viable Section Eight Management Assessment Program (SEMAP). We were pleased to participate in the Department's initiative on SEMAP reform in March 2010 along with PHAs and PHA industry groups, and we submitted extensive recommendations to HUD PIH regarding SEMAP reform on October 30, 2010. PHAs experienced attempts by some during the last administration to unfairly characterize PHAs' program performance and were grateful to be able to cite HUD's SEMAP ratings for their respective agencies in order to refute those statements. HUD's SEMAP ratings serve an important purpose for HUD, Congress, the communities in which PHAs operate and American taxpayers who pay for the program.

While less than three percent of PHAs that administer the HCV program are rated by HUD's SEMAP as "troubled," 25 percent of respondents to NAHRO's recent survey indicated that, if the presently anticipated cuts to the administrative fee are implemented, they would fall into "troubled" SEMAP status. Sixty-two percent of respondents presently rated as "high-performers" under SEMAP stated that they would fall from "high performer" to "standard performer" SEMAP status.

This said, the SEMAP system assumes that PHAs will have adequate resources to comply with program requirements. Given the prospective dearth of financial resources provided to PHAs to administer Section 8 voucher programs in FY 2011 under P.L. 111-383 it is appropriate that the Department consider suspending SEMAP ratings for purposes of sanctions, until such time as ongoing administrative fees are substantially restored. Until that time, HUD should provide PHAs with SEMAP scores that are advisory only. [Any PHA with "troubled" SEMAP ratings prior to the enactment of P.L. 111-383 should remain subject to its Corrective Action Plan (CAP) with HUD, however, special consideration should be given these PHAs with respect to meeting the time frames for their CAPs.]

We recognize that it is likely that advisory SEMAP scores will fall due to dramatically reduced ongoing administrative fees. However, we believe it is important that Congress understand that proper funding of PHAs' ongoing administrative fees are necessary to run successful Section 8 voucher programs in compliance with program rules.

We appreciate the Department's initiative on SEMAP reform in March 2010, as well as your involvement of PHAs and PHA industry groups' ideas on these important program areas.

Accelerating the rulemaking process in this area and adopting our SEMAP recommendations above in the meantime would be most appreciated by NAHRO and our PHA members.

2) Suspend or modify certain program requirements pending restoration of adequate funding for administrative fees

NAHRO also suggests that until adequate funding for administrative fees is restored, the Department should modify program requirements to reflect the capacity of agencies under reduced funding levels. Significant administrative relief is needed in a timely fashion.

We believe the following requirements should be modified or suspended:

- Family income verification – suspend the verification requirement and rely on family certifications or, alternatively, modify this requirement to simplify it (See specific suggestions described below);
- Reexamine family income less frequently than annual;
- Conduct housing quality inspections less frequently than annually;
- Eliminate quality control inspections;
- Relax deadlines for correction of housing quality deficiencies other than exigent health and safety violations;
- Eliminate sanctions for failure to use at least 90% of vouchers or funding;
- Suspend requirements to expand housing choice outside areas of poverty or minority concentration; and
- Suspend requirements to enroll families in the family self-sufficiency (FSS) program and to help FSS families achieve increases in employment income.

There are a number of requirements that we believe should <u>not</u> be suspended or modified. These are:

- Proper selection of applicants from the housing choice voucher waiting list including income targeting;
- Sound determination of reasonable rent only initial rent reasonableness determinations (but not for annual rent reasonableness determinations);
- Establishment of payment standards within the required range of the HUD fair market rent;
- Correct calculation of the tenant share of the rent and the housing assistance payment. However, when it comes to aggregating "improper payments" from PHAs' income and rent calculations, we believe that PHAs should be exempt for financial penalties associated with those amounts;
- Maintenance of a current schedule of allowances for tenant utility costs;
- Ensure units comply with the housing quality standards before families enter into leases and PHAs enter into housing assistance contracts for the lease-up of initial units to the program as well as interim or tenant-complaint inspections of emergency health and safety violations (but not for annual HQS inspections); and
- portability.

3) Diminished Compliance with HCV Program Requirements Due to Funding Necessitates a Change in HUD's Response to Recommendations from the Office of the Inspector General (24 CFR Vol. 5, Subtitle B, Chapter XII)

As you know, HUD's Office of the Inspector General conducts audits, inspections and evaluations of PHAs' administration of HUD programs including Section 8 tenant-based voucher programs. In light of the drastic downward pro-rations of ongoing administrative fees in Section 8 tenant-based voucher programs and PHAs' substantial non-compliance that may ensue, NAHRO recommends that HUD issue guidance to the Department Field and Regional Offices regarding future OIG audits. With respect to periods when ongoing administrative fees pro-rations are below 90 percent, we recommend that HUD instruct its Regional and Field Offices that, absent HUD OIG findings of fraud or abuse, any financial penalties associated with programmatic non-compliance not be upheld by the Department. PHAs have every intention to fully comply with HUD requirements. Instead of imposing financial penalties that would further erode the ability of a PHA to fully comply, HUD should work closely with PHAs to develop and implement appropriate corrective actions to remedy the findings and be in compliance with HUD requirements.

4) Reforming HUD's Monthly Accrual Accounting Method in VMS

In terms of total HAP expenditures, the differences between the method HUD currently requires of PHAs in their monthly VMS submissions and the recommendation where income that is not counted until cash (or a check) is actually received and Housing Assistance Payment (HAP) expenses are not counted until they are actually paid, are immaterial. As such, NAHRO's recommended accounting method (attached) would be compliant under Generally Accepted Accounting Principles (GAAP) rules.

5) Suspend Requirement for PHAs to Verify Households' "Excluded Income" Other Than Through Self-Certifications

Simplify PHAs' rent calculations by suspending the requirement to verify "excluded income" items. Under this recommendation, households would still be required to report "excluded income" items but during the suspension period, PHAs should be allowed to accept household's self-certifications on "excluded income" items such as:

- any imputed return on assets;
- food stamps;
- WIC;
- any amounts that would be eligible for exclusion under section 1613(a)(7) of the Social Security Act (42 U.S.C. 1382b(a)(7));
- deferred disability benefits from the Department of Veterans Affairs that are received in a lump sum amount or in prospective monthly amounts;
- earned income of any dependent earned during any period that such dependent is attending school or vocational training on a full-time basis or any grant-in-aid or scholarship amounts related to such attendance used for the cost of tuition or books;

- any amounts in or from, or any benefits from, any Coverdell education savings account under section 530 of the Internal Revenue Code of 1986 or any qualified tuition program under section 529 of such Code; and any amount required by Federal law to be excluded from consideration as income.

We recommend HUD permit PHAs to eliminate this requirement at their discretion.

6) Revise Hierarchy of Income Verification Methods by Allowing Use of Households' Pay Stubs as in the First Set of Rankings (24 CFR 960.259(c) and 24 CFR 982.516(a))

Even with the existing Enterprise Income Verification (EIV) system, PHAs still need to rely on traditional, manual third party verification of income approximately 40 percent of the time, which is time consuming, burdensome and administratively expensive for PHAs. In furtherance of rent simplification we recommend HUD revise its hierarchy of income verification methods, by giving PHAs the opportunity to use household provided pay stubs to verify income from employment as a first ranked item in the hierarchy. This would help to streamline the verification of income.

7) Implement Simplified Process for Identifying Household Income Prior to Rent Calculations, to Reduce Improper Payments (24 CFR § 5, 92, and 908)

Had it not been withdrawn, HUD's January 27, 2009 final "rent refinement" rule definition of annual income would have enabled PHAs at their discretion to "apply past actual income received or earned within the last 12 months of the determination date, as HUD may prescribe in applicable administrative instructions…" Regrettably, after taking office, HUD withdrew one of the most important aspects of the original "rent refinement" rule after its 120-day moratorium on pending regulations. The purpose of HUD's rent refinement rule was to strengthen income and rent integrity, as well as simplifying the income process to render it more accurate, thereby reducing over-payments. Reverting back to the existing definition of annual income did not accomplish one of the main original proposed purposes of the "rent refinement" rule."

On December 29, 2009 HUD wrote, "HUD is aware of the need to address the issue of annual income and intends to address this issue." It is worth noting that when the Department submitted its FY 2012 budget request containing a number of "rent simplicity" provisions from SEVRA, absent were provisions relating to improved household income and asset determinations by enabling PHAs to use participants actual past income from the previous twelve-months or current income as anticipated for the following twelve-months. This specific item from the original "rent refinement" interim rule is something that HUD can do now through regulation without having to introduce legislative language or wait to have legislative language enacted into law.

Under the January 27, 2009 final rule which was later suspended and rescinded by HUD, PHAs would have been able to establish policies that were beneficial and fair to low-income households, more administratively manageable to PHAs, and responsible to taxpayers who fund the applicable programs. This is particularly true in years when less than 100 percent pro-ration is provided in Housing Assistance Payments and administrative fees as has been the case and may continue in the

future. PHAs should not have to serve fewer families nor to continue to have existing households paying higher rent burdens than they otherwise could under the January 27, 2009 final rule's definition of annual income.

8) Allowing PHAs to Use Applicable Inflation Factor for Households with Fixed Incomes

PHAs were permitted to apply across the board increases to social security without third party documentation back in the 1970's. We are not certain when or why this changed. For elderly and disabled households living on fixed incomes, the only annual adjustment to income is typically the cost of living adjustment from the Social Security Administration, which can be easily calculated by the PHA without administering the entire recertification process. For any households where 90 percent or more of their household income are from a fixed source(s), HUD should permit PHAs to apply the applicable annual adjustment factor to their fixed benefit (e.g. SS or SSI) or income verified HUD's EIV system to determine their annual income for rent calculation. In the years in which PHAs' will not be required to conduct a comprehensive annual household recertification, household income would be recertified through a review of income documents provided by the household and cross-referenced with HUD's Enterprise Income Verification (EIV) system. The household would be required to certify that the income reported is true and complete for a given period of time. Taking these measures would meet the statutory requirement for annual reviews of household incomes and reduce PHAs' administrative burdens.

9) Self-Certified Household Assets (24 CFR § 960.259 and 24 CFR § 982.516)

We recommend following what is done under the Low-Income Housing Tax Credit (LIHTC) program by allowing households to self-certify under the pains and penalties of perjury their assets of less than $5,000. Under this system, if a household certifies assets of less than $5,000 than a PHA would have satisfied its requirement. Generally only a few elderly tenants have large amounts of assets. The current requirement for PHAs to verify households' six month average checking account balances that contain modest sums is time consuming and impractical.

10) Allowing PHAs to Use Income and Household Composition Determinations by Other Applicable Governmental Entities

At the discretion of the PHA and with a safe harbor provision from HUD, the Department should enable household income and composition recertifications performed by other federal, state, or local government entities (for example, LIHTC-assisted households, TANF agencies) to stand in place for PHAs' eligibility determinations of applicant households and recertifications of participant households. This documentation could be honored by PHAs at their discretion, as defined in their Admissions and Occupancy Plan, so long as the date of determination is within 12 months of applicant households' eligibility determination or participant households' interim or annual recertification effective date.

11) HUD's Enterprise Income Verification (EIV) System

HUD's Enterprise Income Verification (EIV) system is a good concept. However; HUD's recent increased requirements of PHAs during a time of dramatically reduced ongoing administrative fees places additional economic constraints on PHAs. Just as PHAs' discretionary authority to run criminal background checks during eligibility determinations (except for sex-offenses and meth amphetamine sale and distribution which are mandatory), the EIV functions described below are important to preserving the integrity of the program. Dramatic reductions in PHAs' ongoing administrative fees make it financially infeasible to perform many of the administrative functions that are important to taxpayers, PHAs, and the communities they serve. Administrative functions which were formerly discretionary under HUD's EIV guidance, are now mandatory, and as a result require PHAs to amend their Administrative Plans to include:

- Former Tenant Search - For adult members in a household to determine if there are monies owed or an adult member was in non-compliance with program rules. If there is a household debt owed to any PHA, than a PHA must notify household at their last known address. PHAs must document in the file that they ran this search and provide the results;

- Deceased Tenant Report – PHAs must run this report on a monthly basis. PHAs must run this report twice for each HAP check run; once before cutting HAP check amounts and another time before releasing HAP payments;

- Identification Verification Report – PHAs must run this report on a monthly basis. If PHA has correct verification information for household members (i.e. Birth certificate for date of birth, Social Security Card for Social Security Number, last name and first name) but the Social Security Administration has incorrect records, than PHAs must enter incorrect information into the system so that the record submission does not fail. In these instances, the household has to go to the Social Security Administration then provide their corrected information to the PHA which has to send it to HUD Headquarters which in turn has to provide it to the US. Social Security Office Headquarters in Baltimore;

- Immigration Report – PHAs must run this report on a monthly basis. PHAs must provide "H" numbers and "Alt. ID" numbers to particular households not claiming US Citizenship. In these instances, PHAs have get documentation from the Department of Homeland Security or the Social Security Administration;

- Multi-Subsidy Report – PHAs must run this report on a monthly basis. PHA has to monitor and update quarterly a household's composition of household members that no longer reside in a unit. If applicable, the PHA must terminate duplicate assistance or require family to immediate terminate assistance in other program. PHAs must maintain documentation of the result of duplicate assistance in each household file;

- New Hires Report – PHAs must run this report on a monthly basis;

- Existing Tenant Report – PHAs must provide household with results of search and secure documentation of their move out of assisted dwelling unit. If necessary, the PHA must contact the other PHA/landlord of the households' current status;

- Income Report – PHAs must compare household information with the information provided in EIV; and

- Debts Owed Report – PHAs must clear backlog of debts owed by December 31, 2011 and notify household at their last known address.

In practice EIV presents some issues that make the eligibility determination process more challenging for PHAs. EIV would be more helpful to PHAs if the information contained in EIV were more current and more accurate. In its current condition, EIV actually creates more work for PHAs. Its cost benefit value is questionable. Listed below are PHAs' insights about the existing EIV system:

- The income verification presented by EIV is at least three months behind the current date. When a PHA interviews a program participant and discusses EIV information with them PHAs find that many clients dispute the accuracy of the EIV reported income creating additional unnecessary burdensome processing steps for PHAs and program participants. An EIV system that were more current and more accurate would streamline PHA processes for verifying income, reduce the current complexity in the eligibility process and increase PHA accuracy rate.

- It is commonplace today to find companies purchased by other companies or companies that operate under another company name (DBA). As a result in many instances the program participant is unable to confirm that the name of the company listed in EIV is their employer. The PHAs program participant does not recognize the name of the company listed in EIV resulting in untimely delays and additional steps in eligibility processing.

- EIV does not include State benefit/income information (i.e. TANF, Food Stamps, Child Support). PHAs are required to verify state income through other means.

- EIV presents a total amount of client income by quarter. To address EIV income discrepancy reports and or to validate EIV's accuracy, the program participant would need to provide pay stubs for a full quarter. Most program participants do not retain their pay stubs for this length of time. As a result, PHAs need to submit a pay verification form to the employer. Too often employers refuse or forget to return the completed wage verification forms. Too frequently PHAs find that when employers do return the wage verification forms the forms are completed incorrectly or the form is incomplete because the employer has omitted some critical information needed to verify EIV; such as average number of hours worked per week.

- It becomes very challenging when the program participant does not recognize the EIV reported name of the company they worked for and staff sends a wage verification form to the

employer and the employer fails to respond to PHA inquiries. This is a common reoccurring condition that appears to be increasing.

- EIV system is down (unavailable for PHA access) periodically which adversely impacts PHA productivity. For example, PHAs received a notice on May 3, 2011 titled, "PIH.RHIIP.TA Message # 2011-28" which states, "Please be advised that there is currently a server issue which will prevent users of the Public and Indian Housing (PIH) EIV system from accessing the PIH EIV system and/or information within the system. We request that users not access EIV until this issue is resolved."

- Using EIV for interim changes serves little or no practical value to the PHA. It helps to identify the few program participants that fail to completely or accurately report income however; because the EIV data is at least three months old, by definition the program participant is performing an interim change reporting a change in income that occurred within the last ten days.

Restoring the rescinded provision of the "rent refinement" rule (described in recommendation number six above) where at their discretion, PHAs could apply households' past actual income received or earned within the last 12 months of the determination date would enable PHAs to utilize EIV to strengthen income and rent integrity, as well as simplifying the income process to render it more accurate, thereby reducing over-payments.

PHAs desire to provide safe, decent affordable housing to eligible households. PHAs also desire to accurately determine income and eligibility of program participants and to make accurate and timely rental housing assistance payments. Now more than ever before, PHAs need HUD's help and cooperation to find reasonable solutions to improving the efficiency and effectiveness of the eligibility determination process. It is our hope that the above information will provide constructive feedback to HUD regarding the EIV initiative and invite HUD to continue a dialogue with NAHRO and PHAs to find reasonable solutions that improve the HCV program.

12) Reforming Utility Allowances (24 CFR 982.517)

The cost of each utility and housing service category must be stated separately. For each of these categories, the utility allowance schedule must take into consideration unit size (by number of bedrooms), and unit types (e.g., apartment, row-house, town house, single-family detached, and manufactured housing) that are typical in the community.

NAHRO recommends HUD to allow interested parties to be able to comment on the utility component of FMRs separately from rent in the overall level of FMRs. If the number of rental observations is sufficient in the American Community Survey and/or American Housing Survey data, HUD should provide PHAs with the utility data it gathers from the annual Fair Market Rent (FMR) calculations, so that every PHA does not have to undertake their own utility studies which can be time consuming and an additional expense. If the number of rental observations is sufficient, PHAs should be able to use simplified utility allowance schedules by bedroom size only, without additional allowances by all building types (i.e. high rise, garden & row, etc.). At

the very least, publishing this utility information each year would enable PHAs to know whether or not utility rates increased by 10 percent or more from a PHA's most recent utility allowances, in order to determine whether or not conducting extensive calculations of utility rates and consumption were needed. In addition, PHAs should be able to use the utility allowance of a household's authorized voucher size if the bedroom size of their leased unit is greater than their authorized voucher size. PHAs should also be allowed to use the lower of their utility companies' "lifeline" rates or the standard commercial rate averages where applicable. These measures would greatly simplify the leasing process for voucher holders and property owners, to help create less programmatic barriers to low-income assisted households accessing the housing market relative to unassisted households.

Alternatively, HUD should publish average annual utility allowances by bedroom size in lieu of utility allowances by structure type or a flat utility allowance by bedroom size. Another approach could be that PHAs would be able to survey their area utility charges and consumption rates, document them, and propose averages by bedroom size, subject to HUD approval. This would significantly reduce the complexity and calculation errors by PHAs for utility allowances and make the program more transparent to prospective property owners and voucher-assisted households.

13) Access to HUD Programs for Persons with Limited English Proficiency (Executive Order 13166)

HUD's current Limited English Proficiency (LEP) guidelines require PHAs, owners and managers to provide written and oral translations of "vital" documents in an array of foreign languages for assisted households with limited English proficiency. Conservative estimates put LEP households in the Section 8 program at approximately 288,000 households nationwide. Document translation rates vary, but a typical lease would probably cost about $8,000 to translate into a single language, and for all of the owners and agents operating just four HUD programs, the total cost would be over $60 million, and translations into just three languages for these programs would exceed $182 million. A single central translation at HUD of all vital program documents and webcast oral translations would provide greater standardization and probably a higher quality of translation at a much lower cost.

Beyond the HUD documents already translated and posted by the Department at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/promotingfh/lep. NAHRO recommends HUD develop and make available translations of a list of "vital" documents developed through a HUD-convened Task Force, carrying out a plan to improve access to programs and activities for individuals with limited English proficiency, and set up a 24-hour toll-free line for interpretation services. If a reprogramming request to Congress is needed from the Transformation Initiative to pay for HUD's toll free line, NAHRO recommends that the Department make this request. Alternatively, owners and managers should be reimbursed for translation expenses. This recommendation does not include any modification of the title VI Civil Rights Act, rules, regulations, guidance, or orders of general applicability pursuant to such Act, or any executive orders.

14) Initial Inspections of PHA-owned Units under Project-Based Voucher Program [24 CFR § 983.59(f)]

Under the existing Project-Based Voucher (PBV) regulation [24 CFR § 983.59(f)], a PHA that owns or substantially controls an entity that owns a development are required to contract with another eligible entity to perform initial Housing Quality Standard (HQS) inspections. HUD defines a development controlled by a PHA or an entity that is substantially controlled by a PHA which owns a development, where the PHA, instrumentality or affiliate have less than one percent financing or ownership of a development. The practical effect of existing regulations is that in all cases, PHAs are required to spend additional monies to contract for the initial HQS inspections than they otherwise would for any other PBV development or dwelling unit with tenant-based voucher assistance.

HUD's existing regulations not only impose an increased expense for PHAs, but they are inconsistent with other HUD regulations for other PHA-owned project-based developments. PHAs own Public Housing developments and perform inspections on their dwelling units. Both PBV developments owned by PHAs and Public Housing developments owned by PHAs, are subject to quality control inspections by PHA management to ensure that the inspections comply with HUD regulations. In the case of most PBV developments, there are usually other additional layers of financing such as Low-Income Housing Tax Credits, Mortgage Revenue Bonds, etc. The combination of other inspection requirements from the other finance agencies administering tax credits and bonds, provide another check and balance to ensure HUD's housing quality standards are met a minimum, and in many instances require inspections to a more stringent standard.

Although this last point is not directly related to our request for administrative relief within HUD's existing regulatory purview, the Section Eight Voucher Reform Act has a provision that would allow inspections conducted by other entities for tax credit properties for example, to be used in place of a PHA conducted HQS inspection. We are not requesting this provision from SEVRA as it is not within HUD's existing regulatory purview. We mention it simply to illustrate that HUD's existing regulations impose an undue expense on PHAs to contract out initial HQS inspections when they own or substantially control an entity that owns a PBV development, when the PBV developments already receive HQS inspections or inspections at more stringent standards required by other governmental entities.

15) Moving-To-Work (MtW)

The MtW demonstration provides PHAs with a number of waivers of provisions of the United States Housing Act of 1937 designed to help agencies streamline their operations beyond what was authorized in QHWRA. As HUD described in its report, housing assistance recipient populations are not heterogeneous and different needs may begin to be best met by small improvements in administration and implementation of the respective program or programs. MtW agencies may streamline a number of regulations and they may also alter HUD-proscribed procedural requirements at their discretion, to alleviate administrative burdens and/or to better serve local needs. HUD's report also cited PHAs reporting that administrative streamlining resulted in "more rational or meaningful use of staff time," which "improved staff morale and resident/landlord satisfaction with the HA." Beyond cost savings, MtW-enabled administrative reforms have changed the way that PHAs function.

MtW agencies' practices are a good source to learn about the types of regulatory and administrative burdens of which to relieve or modify non-MtW agencies.

Conference Committee Report (House Report 111-366) to the "Transportation / HUD Consolidated Appropriations Act, 2010" (P.L. 111-117) states, "Of the funds transferred, not less than $45,000,000 is for technical assistance. Funding is also available for research, evaluations and demonstrations. The conferees direct HUD to conduct an evaluation of the Moving to Work demonstration program, to be completed by August 31, 2010." In August of 2010, HUD issued a report to Congress titled, "Moving to Work: Interim Policy Applications and the Future of the Demonstration." NAHRO is seeking clarification from the Department about whether it views the report issued to the Congress in August 2010 as satisfying the conferees directive in House Report 111-366.

With the exception of a few items such as improvements to the delivery of Limited English Proficiency, not all MtW agencies are likely to benefit in the same way as non-MtW agencies from implementation of regulatory and administrative relief. NAHRO would like to explore with the Department and MtW agencies areas of administrative relief for participating agencies.

Attachment 2 - Improving Opportunities for Increased Ongoing Administrative Fee Revenues within Existing Resources

1) Augment Direct Appropriations for Administrative Fees with Existing Appropriated Funds.

Permit PHAs to draw administrative fees at the pre-QHWRA rate under Section 8(q) for each family that leases successfully from Net Restricted HAP Assets (NRA) to the extent amounts are available from December 31, 2010 and prior years as stipulated under a provision applicable to P.L. 111-383 which states:

> *...Provided further, That if the amounts made available under this paragraph are insufficient to pay the amounts determined under the previous proviso, the Secretary may decrease the amounts allocated to agencies by a uniform percentage applicable to all agencies receiving funding under this paragraph or may, to the extent necessary to provide full payment of amounts determined under the previous proviso, utilize unobligated balances, including recaptures and carryovers, remaining from funds appropriated to the Department of Housing and Urban Development under this heading, for fiscal year 2009 and prior fiscal years, notwithstanding the purposes for which such amounts were appropriated: Provided further, That amounts provided under this paragraph shall be only for activities related to the provision of tenant-based rental assistance authorized under section 8, including related development activities;...*

Exercising the above administrative fee provision in the Act that enables HUD to allow PHAs to use their unobligated NRA funds from prior years to increase ongoing administrative fee pro-rations would help the HCV program sustain the number of families served last year and facilitate the Department accomplishing its FY 2010-FY 2015 Strategic Plan goals.

2) Immediate Measures to Alleviate Financial and Administrative Strains Relating to HUD's Existing Portability System (24 CFR § 982.353).

> We appreciate the Department's initiative on portability reform in March 2010, as well as your involvement of PHAs and PHA industry groups' ideas on this important program area. On July 27, 2010, NAHRO submitted to HUD PIH our extensive reform recommendations relating to the portability feature of the HCV program. Among other things, NAHRO recommended regulatory and administrative reforms would reduce billing and administrative costs between PHAs. Accelerating the rulemaking process in this area while taking the following measures would be most appreciated by NAHRO and our PHA members.

Among other problems, ongoing administrative fees for portable vouchers are based on 80 percent of the "Column B" rate for the receiving PHA, and 20 percent of the "Column B" rate

for initial PHA, prior to the national pro-ration percent being applied. "Column B" fee rates provide less financial compensation to PHAs than "Column A." The "Column B" fee rate is 7.0 of the base two-bedroom FMR from 1993/1994, and the "Column A" rate is 7.5 percent of the base two-bedroom FMR from 1993/1994. As a result, both initial and receiving PHAs of all types (i.e. city, county, multi-county and state) administering vouchers through portability billings, experience higher administrative costs than usual but receive substantially less fees. For PHAs with portability billings, NAHRO recommends as a temporary and partial fix that HUD use an 80% vs. 20% split of the "Column A" administrative fee rate to more adequately compensate these agencies. Within the context of a comprehensive portability policy that balances the interests of all PHAs including initial and receiving PHAs, NAHRO believes it is imperative for the Department to move forward in an expeditious fashion so that the 80% vs. 20% split of ongoing administrative fees between agencies receiving 78.5 annual pro-ration is completely remedied immediately.

3) Reconciliation of PHAs' Net Restricted HAP Assets, Unrestricted Net Assets and Cash/Investments.

NAHRO recommends HUD correct its error in its wholesale use of PIC data in 2009, by reassessing PHAs' Net Restricted HAP Assets (NRA), Unrestricted Net Assets (UNA) and Cash/Investments, using VMS data for voucher leasing and costs. It is our understanding that earlier this year HUD has completed these reconciliations for all but a few hundred PHAs and plans to complete this process for the remaining PHAs administering Section 8 tenant-based voucher programs in the near future. Our recommendation has several elements:

- **Reconcile PHAs' Net Restricted HAP Asset amounts.** Many PHAs have significant NRA discrepancies compared with the amounts identified for them by HUD in previous years. HUD's assessment of some PHAs' NRA is significantly higher than actually exists. This had the effect of compounding the impact of distributional shortfalls to many PHAs around the country, by overstating a primary source of funding - NRA - necessary to deal with them. In 2009, HUD and Congress took extraordinary actions to help remedy funding shortfalls for PHAs facing terminating families, which took place in large measure due to HUD's wholesale use of PIC data rather than VMS data for "mid-month" leasing. There are other PHAs that experienced funding shortfalls due to the same HUD error, who could not lease turnover vouchers and ended up serving fewer families and had no financial remedy. As a result of HUD's error, PHAs were forced to lease fewer families than they could have otherwise served. NAHRO recommends HUD recalculate PHAs' proper Net Restricted HAP Assets (NRA) using VMS data and reimburse these PHAs for amounts owed, while continuing to satisfy the $750 million rescission (offset) target mandated in the FY 2009 appropriations act. Without any new appropriations and entirely within the existing amounts of NRA nationwide, NAHRO recommends HUD recalculate PHAs' proper NRA using VMS data and in accordance with PIH Notice 2009-13. Instead, it appears that HUD's FY 2012 budget plans to cement its inaccurate assessment and offset of PHAs' NRA, by "busting the caps" in PHAs' Annual Contribution Contracts (ACCs) and allowing the "haves" to serve greater

numbers of families than their ACC voucher level and the "have-nots" to serve fewer families than their ACC voucher level.

- **Reconcile PHAs' Unrestricted Net Asset amounts.** Many PHAs have significant UNA discrepancies compared with the amounts identified for them by HUD in previous years. NAHRO recommends HUD recalculate PHAs' UNA properly.

- **Reconcile PHAs' Cash/Investments.** Many PHAs have significant discrepancies in their Cash/Investments compared with the amounts identified for them by HUD in previous years. NAHRO recommends HUD recalculate PHAs' Cash/Investments properly.

- **Recalculate PHAs' voucher lease-up and budget utilization rates using VMS data, to make sure that they are in the correct utilization groups.** Based on HUD's wholesale use of PIC data for PHAs' "mid-month" leasing rather than VMS data, some PHAs' voucher leasing and budget utilization rates should be reclassified as provided in HUD Notice 2009-13. If completed, this would affect the calculation of PHAs' NRA offsets.

4) Improve Methodology for Determining PHAs' Eligibility for Higher Administrative Fee Rates [(24 CFR § 982.152(b)(3)].

In making its existing determinations, HUD uses PHAs' administrative fee expenses relative to a theoretical administrative fee earnings rate at a 100 pro-ration percent rather than compared with the actual pro-ration for that given year. As a result, PHAs' who would otherwise qualify under the exception fee regulation [(24 CFR § 982.152(b)(3)] are deemed ineligible by HUD. NAHRO recommends that the Department review eligible PHAs' applications for exception fee rates by comparing their administrative fee expenses with the actual pro-rated fees for that given year.

5) Allow PHAs to implement reduced Voucher Payment Standards in a more timely fashion (24 CFR § 982.502).

PHAs only earn ongoing administrative fees for each voucher-assisted family under lease. Significant numbers of Public Housing Agencies' (PHAs) around the country have insufficient HAP funds to lease up to their adjusted baseline number of authorized vouchers. In addition, PHAs had significant amounts of their Net Restricted HAP Assets (NRA) offset from them and utilized significant amounts of their Net Restricted HAP Assets in 2009. Currently, there is nothing on the horizon to replenish some or all of their Net Restricted HAP Assets. This undermines affected PHAs' ability to maximize their ongoing administrative fee earnings and particularly with ongoing administrative fee pro-rations at 78.5 percent in 2011. This will seriously undermine HCV program compliance and imposes serious constraints on their abilities to serve families and property owners.

NAHRO believes that the intent of HUD requiring PHAs under existing regulation, to implement a lowered payment standard at a household's second re-examination of household members and income, was to allow for a two year transition from the merger date of October 1, 1999 of the

merger rule (RIN 2577–AB91) governing the consolidation of the Section 8 Certificate and current Section 8 Voucher programs (24 CFR § 248 et al.). However, since the transition to complete the merger of both programs ended by October 1, 2001, this practice of waiting until the second household reexamination remains in place at a significant expense to the HCV program and fewer eligible low-income families being served.

To help provide some measure of financial relief to these PHAs within existing appropriated funds, would be Congress requiring HUD to exercise its existing regulatory authority (24 CFR § 982.502). NAHRO recommends Congress direct HUD to reduce the current time frames required of Public Housing Agencies' (PHAs) to implement reduced voucher payment standards (CFR 982.505) from households' second reexamination to the greater of 90-days from the date the household is notified or a household's' lease anniversary date.

HUD exercised its authority with the issuance of PIH 2005-9 and through subsequent actions, but PHAs looking to implement shorter time frames for their lowered payment standards have been required by the Department to go through what many believe should be an unnecessary burdensome waiver process. Furthermore, in order for PHAs to have their waiver requests approved in 2005 and beyond, HUD has required them agencies to not re-issue turnover vouchers to eligible applicants or lease them up under the program. HUD's existing policy creates hardships for agencies that needed waiver approval for shortened time-frames for their payment standard reductions, in order to serve the same number of existing families or to restore their leasing to previous levels or their adjusted ACC baseline number of vouchers.

When there are housing markets which are cooling and so long as a PHA's regulatory "affordability standard" is met [24 CFR §982.102(e)(3)(iii)], taking the above measure would provide opportunities to remedy their agencies' funding shortfalls within the existing HAP amounts provided, but while not imposing hardships on low-income families and participating property owners. This measure could help some PHAs mitigate the effects of downward pro-rated administrative fees, if they are able to better utilize their available HAP and NRA resources to increase the number of families they lease, up to their adjusted baseline number of vouchers.

6) Reinstate opportunity for temporary and partial transfer of HAP budget authority and vouchers between PHAs (PIH Notice 2002-14).

Previously PHAs that had more HAP funding than could serve 100 percent of their authorized vouchers, worked with under-funded PHAs in their surrounding communities (within the same metropolitan area, non-metropolitan county, or state) to voluntarily transfer a portion of their HAP budget authority and vouchers (PIH Notice 2002-14). This process which required PHAs' notification to HUD, enabled greater number of low-income families to be served and also facilitated a prompt method for some communities dealing with a tight housing market to receive the necessary funding to deal with temporary spikes in their HAP costs. HUD's previous notice enabled PHAs to transfer the same amount of HAP budget authority back to the original PHAs such that all agencies retained their total number of authorized vouchers. However, in March 7, 2007, HUD issued a notice (PIH 2007-6) rescinding PHAs authority for partial transfer of HAP budget authority and instead only allowed PHAs divest their entire voucher program to another

PHA or no HAP funding at all. Under HUD's 2007 notice, all such voluntary voucher program divestitures are permanent, which for all intents and purposes, precluded PHAs helping their under-funded neighboring agencies and the families they serve. NAHRO recommends reinstatement of PIH Notice 2002-14 either through reinstating authority to PHAs or providing similar authority to HUD Field and/or Regional Offices. This measure would have the benefit of maximize available HAP resources to serve the maximum number of families while also potentially enabling a greater percentage of PHAs to utilize a portion of their Net Restricted HAP Assets if available to augment their ongoing administrative fee pro-rations under our first recommendation above.

7) Improve On "Hold Back" Percentage at the End of the Year.

During the calendar year, HUD advanced ongoing administrative fees to PHAs based on their prior leased vouchers, with reconciliations to be completed on a rolling basis retroactive to the beginning of each year. HUD informed PHAs that they needed to ensure that the total appropriated funds for ongoing administrative fees are distributed for each calendar year's leasing without any over-funding or under-funding. What we now know, based on the last three calendar years of experience, is that HUD's percentage "hold back" at the end of each year has been unnecessarily excessive. The ongoing administrative fee amounts PHAs were left with during these "hold back" periods have been well above the amounts in their ultimate calendar year pro-rations. NAHRO recommends that the Department gauge a more appropriate "hold back" for December 2011 and beyond that is much closer to where the final calendar year pro-ration is likely to be. PHAs welcome HUD's final reconciliation of their December 2010 ongoing administrative fee pro-rations to help them cope with their 2011 cuts in fee revenues. In addition, the severity of HUD's administrative fee withholding in 2011 and beyond could be mitigated in a number of ways.

First, HUD should pay ongoing administrative fees for no more than 100 percent of each PHA's authorized vouchers during the course of the year. Currently, HUD pays for monthly over-leasing throughout the year until final reconciliation for December.

Second, NAHRO's above recommendation regarding allowing PHAs to book in VMS income that is not counted until cash (or a check) is actually received and Housing Assistance Payment (HAP) expenses are not counted until they are actually paid, will reduce retroactive posting of Unit Months Leased (UMLs) by PHAs for considerable periods of time as is now the case. As a result, HUD will be able to reconcile PHAs' calendar year ongoing administrative fee pro-rations in a more timely fashion.

Third, NAHRO recommends that HUD assess PHAs' SEMAP leasing and budget utilization (Indicator 13) on a calendar-year basis rather than a PHA fiscal-year basis and communicate this explicit change to PHAs in writing. This has been under consideration at the Department for a very long time. PIH Notice 2005-1 stated, "HUD will issue further guidance relating to the Year-End Settlement Statements which, subsequent to the last quarter in the calendar year 2005, will be based on calendar years rather than a PHA's fiscal year end." Because this procedure has not be implemented for calendar years 2006-2009, agencies have been in the unenviable position of having to maximize the use of their funding to lease vouchers through the end of their fiscal years and then

adjusting as necessary for the calendar year. Agencies faced with leasing within their baseline by PHA fiscal year and then calendar year may, because they have an inadequate amount of time to make adjustments to deal with their funding shortfalls, dramatically ramp their leasing up or down beyond the rates they otherwise would if leasing and budget utilizing by calendar year only. Add in the factor of appropriations bills becoming law considerably after September 30 each year, and the need to alleviate PHAs from this unnecessary constraint becomes more compelling. The resulting benefits that would include more consistent rates of leasing during the calendar year for purposes of more reliable ongoing administrative fee pro-rations. NAHRO has also requested that the Department ensure that agencies are not penalized with lower SEMAP scores by basing scoring on the higher of their fiscal year or calendar year leasing and budget utilization, and similarly that the Department ensure that agencies are not penalized in their application scores for incremental vouchers.

Attachment 3 - Balancing Improvements of HUD's Information Technology Systems with Ongoing Administrative Fee Funding; Improving HUD's Regulatory Framework, Organization and Oversight Approaches; and HUD's HCV Administrative Fee Study

1) Transfer of Funds From Section 8 Account to HUD's Transformation Initiative for Next Generation Voucher Management System (NGVMS) and the Working Capital Fund.

HUD's five-year Transformation Initiative (TI) plan proposes to use these funds for three complementary purposes: 1) research, evaluation and program metrics; 2) program demonstrations; and 3) technical assistance and capacity building. Taking a total of $173 million out of the Section 8 account for HUD's multi-year Next Generation Voucher Management System (NGVMS) and FHA IT systems projects, dwarfs the amount of money that came out of the Section 8 account in previous years for the Working Capital Fund. For example, the FY 2009 Omnibus Appropriations Act provided not more than $7.9 million from the Section 8 account for the Working Capital Fund. In FY 2010, HUD received over twelve and a half year's worth of the typical annual funding formerly provided to the Working Capital Fund. HUD's FY 2012 budget requests a $96 million transfer from the Section 8 Tenant-Based account for NGVMS as well as additional funding of $243 million from the Working Capital Fund for the development, operation and maintenance of information technology (IT) systems that support Departmental programs and operations, core financial and general operations.

While we acknowledge the need to improve HUD's IT systems, arriving at a balanced approach in funding such improvements and funding the delivery of the Section 8 program to participants throughout the country seems in order. We believe allowing more funds to remain in the Section 8 account in FY 2011 to help improve Housing Assistance Payment funding and ongoing administrative fee pro-rations will help accomplish this equally important goal. This is not the time to divert scarce resources from the critically important function that PHA staff's delivery of services to low-income families.

With that being stated, NAHRO and our PHA members have provided extensive comments to HUD's team regarding recommended improvements under the NGVMS project. As part of HUD's overarching Transformation Initiative and NGVMS project, as we understand it the HUD team is looking at VMS as well as all of the related information systems that it should interact/interface with programmatically, including PIC, FDS, FASS, EIV as well as HUD's program evaluation assessment systems like SEMAP, voucher optimization tool, remote PHA risk-assessment system, etc. We also understand that HUD is interested in learning about the "human interface" with VMS and other HUD IT systems in a comprehensive way so that the Department examines programmatic guidance to its PHA partners for more accurate and uniform data submissions. Among NAHRO's recommendations submitted to HUD PIH on March 7, 2011 include but are not limited to: 1) improve PIC to the point

of full functionality and modify it so that it can be used as the basis for PHAs' financial disbursements like HUD's integrated Multi-Family Access Exchange (iMAX) in Section 8 Project-Based Multi-family Rental Assistance programs; 2) improve the data used in PIC and VMS so that PHAs get 100 percent reimbursement and in a timely fashion for their net HAP deficit expenses resulting from the portability feature of the HCV program. Reimbursement for PHAs' net portability HAP deficit expense is the only item in all of HUD's HAP calculations for PHAs that are still based on PIC data rather than on VMS data; 3) correct itemized fields for each specific voucher program (i.e. HUD-VASH, FUP, 1-year Mainstream, etc.) so that accurate information such as NRA can be submitted to HUD and properly assessed by the Department; 4) use a check the box system to account for voucher programs administered by each PHA and block out inapplicable VMS fields to reduce the amount of time and errors associated with the current design; and 5) use one system (PIC or VMS) to capture vouchers issued rather than asking for this information in both systems and using inconsistent definitions; 6) we examined the actual and current HUD method as reflected in PHAs' current PIC Delinquency Reports. Currently, PHAs that want/need to fully capture the necessary information in order to reconcile their PIC and VMS reporting to HUD, have to use information systems that are auxiliary to HUD's Delinquency Report. In determining PIC reporting rates the denominator HUD is using the number of leased vouchers in PHAs' most recent month of VMS data submitted (i.e. November 30, 2010) the PIC data is from the most recent month submitted by the last Friday of that given month (i.e. December 31, 2010). NAHRO recommends HUD use the same time period for both PIC and VMS for HUD's evaluation of PHAs' PIC reporting rates; 7) the "Port Outs" field in the Delinquency Report has a host of problems that would best be fixed programmatically by HUD PIH through the rulemaking process. However, there is an inherent problem with initial PHAs that have portability billings with receiving agencies that are dependent on receiving agencies for their PIC reporting rates; 8) improve both the programming thresholds and the frequency of HUD Field Office staff interfacing with the "hard edit" review and validation process which was just made worse during the April 2011 release; and 9) PIC changes to assist Moving-to-Work agencies.

PIC in its current state is challenging and time consuming. PHAs need to submit household data through HUD's PIC system. PHAs understand the concept and the Federal Government's need for at least some of this information. Unfortunately, the PIC system frequently will not accept data without reporting it as a fatal error, particularly when PHAs submit historical adjustments. PHAs are without appropriately equipped HUD staff resources to resolve PIC problems which impact the accuracy of PIC data, and are time consuming and costly for PHA and HUD staff in the administration of the program. During a recent meeting with HUD Regional and HQ staff PHAs were advised that there is a backlog of over 250 work orders to implement corrective actions to PIC software that have not been addressed to date. HUD's Regional Office personnel are great for PHAs to work with. They act as reasonable partners in the administration of the Section 8 voucher programs. Unfortunately, Regional Offices are powerless to address financial issues stemming from PIC and VMS-related problems that PHAs encounter.

2) Correct methodology errors in calculating PHAs' PIC reporting rates.

In October 2007 and later again in September 2008, NAHRO raised specific questions with HUD about the Department's mathematical calculations in determining PHAs' PIC reporting rates with their corresponding VMS data from the same three-month time period under PIH Notice 2007-29.

To date, the summary explanation of HUD's methodology to determine PHAs' PIC reporting rates in this notice provide insufficient details and lack the level of transparency we believe is warranted. Unresolved problems with PIC and VMS beyond the control of PHAs, will have adverse implications for them including:

a) lowering PHAs' Section Eight Management Assessment Program (SEMAP) scores below what they should be if HUD's IT systems and HUD PIH program staff evaluations were performed in accordance with HUD's governing regulations, notices and guidance;

b) sanctioning PHAs' administrative fee earnings permanently for those with PIC reporting rates below 94.5 percent;

c) sanctioning PHAs for Rental Integrity Monitoring (RIM) and Rental Housing Integrity Improvement Program (RHIIP) findings; and

e) eliminating 50th percentile Fair Market Rents (FMRs) for several non-Moving-to-Work (MtW) PHAs' metropolitan statistical areas around the country.

Given the wide range of impacts on PHAs resulting from their PIC reporting rates including financial sanctions and performance assessment status, NAHRO recommends publication of the Department's calculations in order to provide greater transparency. A detailed explanation of problems identified for HUD by NAHRO can be found on pages 10 – 21 our letter to HUD on August 8, 2008.

3) Correct PIC System to be Consistent with the Statute & Regulations Governing PHAs' Annual HQS Inspection Requirements (24 CFR 982.405(a)).

PHAs are required perform Housing Quality Standard (HQS) inspections of their voucher-assisted units "annually" defined as one inspection occurrence per calendar year.

HUD has made improvements to its Public and Indian Housing Information Center (PIC) over the years that allows for a broader range of "allowable" annual inspection dates entered into PIC. HUD's PIC system requires an annual inspection date to be imputed within two months before or after the date of each voucher-assisted household's previous annual inspection, rather than once annually as is required under the regulations. The current administrative requirement as it relates to PIC and PHA's Section Eight Management Assessment (SEMAP) scoring, rather than under the statute and regulations, creates a problem.

Traditionally, PHA's annual inspections coincide with each tenant's move-in date, which does not allow for meaningful flexibility to group HQS inspections geographically. Even with the improvement in PIC (described above) PHAs are not afforded the kind of flexibility and efficiencies enjoyed by Moving-to-Work agencies that should be available to non-MtW agencies within the existing statutory requirement that PHAs inspected voucher-assisted units annually. Improving the coding in PIC further to allow PHAs greater flexibility to cluster inspections geographically or by multi-family dwelling unit for example, would provide significant relief to PHAs with inspection

related travel expenses are significant, particularly with the price of gasoline and PHAs operating in expansive jurisdictions.

Under existing law and regulation, PHAs should be allowed to choose a time frame to conduct annual inspections that fit their local needs within existing statutory design including but not limited to: geographic area, multi-family development, lease anniversary, etc.

4) HUD Regulatory Framework and Reconsideration of Its Organization and Oversight Approaches.

Many PHAs feel stifled by the administrative burden of the public housing and HCV programs – the unnecessarily complex nature of HUD-required procedures has created a situation where PHAs do not have autonomy over program administration and could adapt these programs to fit local needs. Many PHA officials find the existing regulations to be redundant, unresponsive to local housing markets, and inconsistent with local needs.

The Department of Housing and Urban Development has, justly or unjustly, been roundly criticized in recent years for an overemphasis on process compliance at the expense measuring performance and in general for failing to carry out its mission effectively. Bodies such as the National Academy of Public Administration and the Millennial Housing Commission have offered criticisms and recommendations, some of which have been acted upon, but many of which have not.

HUD PD&R has completed two surveys on the level of satisfaction with HUD and its programs by members of approximately eight HUD partner groups, which were surveyed in 2001 and 2006. Listed below is HUD's summary of PHAs' responses from the 2006 publication.

HUD PD&R's "Partner Satisfaction with HUD's Performance - Public Housing Agency Partners" (March 2006)

Performance Category	Percent of PHA Directors Dissatisfied in 2005
HUD programs	32%
How HUD runs programs	46%
Overall satisfaction	35%
Quality of information	26%
Timeliness of information	40%
Timeliness of decision making	47%
Quality of guidance	32%
Consistency of guidance	40%
Clarity of rules and requirements	57%
Competence of people at HUD	22%
Employees' knowledge, skills and ability	27%
Ability to reach people at HUD	26%

Time commitment to comply with reporting	56%

A new partner survey by PD&R that includes most of the same partner groups will provide statistically useful estimates of current satisfaction levels and estimate changes in satisfaction levels since 2006. The report's scheduled completion date is May 2011. We are anxious to see the results of this survey once published and look forward to talking with you about what was learned and the Department's possible "next steps" in light of the Department's FY 2010 – FY 2015 Strategic Plan goals including "Transform the Way HUD Does Business."

At a time when affordable housing needs and the attendant financial demands on the federal government are increasing, it is more important than ever that HUD function effectively and that it maximize the use of its resources. NAHRO believes that a comprehensive reexamination of the Department's organizational structure and its oversight approaches is appropriate for the new Administration – top to bottom. This reexamination should not be limited to administrative measures that assume no change in HUD's authorizing legislation, and it should be conducted with as much transparency and public input as possible. Attention to structural reorganization should be accompanied by a consideration whether the administrative and regulatory "culture" at the Department, which varies significantly within the organization as a whole, advances or hinders HUD in achieving its mission and what, if anything, should be done about it.

NAHRO is not among those who suggest the abolition of the Department as a cabinet-level department. We do suggest that:

- The above mentioned reconsideration of the Department's organizational structure and oversight culture should be undertaken as soon as possible.

- Attention should be paid to minimizing regulatory and administrative impositions and harmonizing regulatory regimes applicable to similar activities. Performance measurements relating to the management and operation of real estate should to the extent possible be separated from evaluations of programmatic regulatory or administrative process compliance. Regulatory reform should be an on-going process at HUD, which involves periodic consideration of the aggregate oversight demands made upon PHAs and other entities. The Department should consider basing the quantum of regulatory impositions on risk. Smaller PHAs pose less risk (financial, otherwise) to the federal government and should therefore face a simpler regulatory scheme.

- HUD should make a renewed commitment to the concept of partnership with regulated entities such as PHAs, which carry out the HUD programs. This potentially involves many things, but included among them would be a more robust and genuine involvement of regulated parties and greater transparency in the process of developing guidance, regulation, and legislative proposals.

- The Department should consider it an obligation to seek the financial resources necessary for PHAs and other regulated entities to carry out its programs. If those resources cannot be

obtained appropriate adjustments in the obligations of regulated entities should be made. In other words, we ask that the department seek to achieve a rough proportionality between the obligations imposed upon regulated parties and the resources supplied to meet those obligations.

- Improve monitoring and oversight of housing agencies with demonstrated program performance where they are truly at-risk of going into "troubled" status. The administration of the Section 8 voucher program is already reviewed through Rental Housing Integrity Improvement Program (RHIIP)/Rental Integrity Monitoring (RIM) on-site reviews, SEMAP confirmatory on-site reviews, independent audits, and checks by HUD's Financial Management Center, and MTCS. All of these reviews require additional PHA staff time in what is already a staff intensive program operating with continuing reductions in administrative fee support.

  The Department has internal risk-assessment databases to use when targeting on-site audits, yet PHAs which administer 80 percent of all vouchers nationwide that have received multiple HUD audits over the last several years have been subject to HUD's additional "consolidated reviews." HUD's "consolidated reviews" have taken place with PHAs without their ever having received the results of previous on-site HUD reviews so that any previous problems identified could be corrected if necessary. Greater measures are needed, to make sure that PHAs are not subject to a multiplicity of on-site visits for duplicative purposes. The description of the audits is unacceptably vague. To date, no protocol or transparent set of standards for those audits have been provided.

  While we acknowledge that the Department has the right (and obligation) to conduct reasonable oversight activities, as well as a mandate to ensure that its data systems contain accurate data, we believe that it also has the obligation to conduct those activities in an efficient manner that avoids redundancy and causes the least disruption of PHA activities. Its obligation in this respect is all the more acute at a time when there are fewer resources available to serve Section 8 families.

5) HUD's HCV Program Administrative Fee Study.

During several meetings, HUD officials said that cuts in Section 8 tenant-based voucher programs' ongoing administrative fees would have an impact on PHAs and that the Department's HCV program administrative fee study would have to be reconsidered accordingly. It is our understanding that HUD PD&R is currently in the reconnaissance and beta-test site phase of the study. NAHRO welcomes the opportunity to discuss the impact of CY 2011 ongoing administrative fee pro-rations on HUD's HCV program administrative fee study.

Attachment 4 - HUD Statutory Waiver Authority

In addition to our regulatory and administrative recommendations, listed below is NAHRO's newly recommended legislative language giving the HUD Secretary the authority to waive three specific Section 8 tenant-based voucher statutory requirements regarding: 1) annual Housing Quality Standard inspections; 2) annual household recertifications and 3) rent reasonableness determinations as the Department determines is necessary to reduce administrative requirements when ongoing administrative fees are pro-rated below 90 percent. We are providing this language to you in the hope that the Department will seek quick enactment through the identification of a viable legislative vehicle.

SEC. ____ Notwithstanding any other provision of law, if the Secretary of Housing and Urban Development determines that that the amount of funding available to public housing agencies for costs and expenses of administering tenant-based rental assistance under Section 8 of the United States Housing Act of 1937 (the "Act") during the calendar year 2011 will be less than 90 percent of the amount provided in section 8(q) of the Act as it existed immediately proper to the enactment of the Quality Housing and Work Responsibility Act of 1998 (P.L. 105-276, October 21, 1998), then the Secretary may issue blanket waivers, effective immediately, to all public housing agencies administering such rental assistance relating to any one or more of the following requirements:

(a) Annual reviews of family income pursuant to subsection 8(o)(5) of the United States Housing Act of 1937;
(b) Annual inspections of units pursuant to subsection 8(o)(8)(D) of the United States Housing Act of 1937; and
(c) Rent reasonableness calculations pursuant to subsection 8(o)(10)(A) of the United States Housing Act of 1937.

Waivers issued pursuant to this section shall be subject to such conditions and effective for such duration as the Secretary shall determine.

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Congressman Luis V. Gutierrez, Ranking Member, FSC *Subcommittee on Insurance, Housing and Community Opportunity*
Hearing entitled "Legislative Proposals to Reform the Housing Choice Voucher Program"
Thursday, June 23, 2011 9:30 AM in 2128 Rayburn HOB

Question to the Honorable Sandra B. Henriquez, Assistant Secretary, Office of Public and Indian Housing, U.S. Department of Housing and Urban Development

For each of the three major rental assistance programs (Section 8 Voucher, public housing, Section 8 project-based) please provide data on (a) the number of households leaving the program, and (b) the number of new households admitted, for each year beginning with 2005 - 2010, and for the months of 2011 for which data are available.

Questions for the Record for Secretary Henriquez from Representative Gutierrez
RE: 06/23/11 Hearing

Calendar Year	New Admissions to the Section 8 Voucher Program	Number of Households Leaving the Section 8 Voucher Program	New Admissions to the Public Housing Program	Number of Households Leaving the Public Housing Program	New Admissions to the Section 8 Project Based	Number of Households Leaving the Section 8 Project Based
2005	232,468	259,995	189,611	171,656	2,596	735
2006	273,942	249,422	191,984	183,761	3,770	1,699
2007	275,711	232,478	176,074	168,543	4,337	2,146
2008	269,105	217,114	189,993	167,879	7,257	2,774
2009	217,379	192,123	157,038	154,995	9,426	3,781
2010	208,457	178,677	156,622	155,258	11,150	4,739
2011 data that is available	101,139	89,718	92,898	86,264	7,674	3,436