PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
2013 Summary Statement and Initiatives
(Dollars in Thousands)

TENANT-BASED RENTAL ASSISTANCE	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2011 Appropriation	$18,407,688	$323,920[a]	-$36,815	$18,694,793[b]	$18,510,034	$18,570,112
2012 Appropriation/Request	18,914,369	178,702	-650,000	18,443,071	18,443,071	18,174,501
2013 Request	19,074,283	...	...	19,074,283[c]	19,074,283	19,091,934
Program Improvements/Offsets	+159,914	-178,702	+650,000	+631,212	+631,212	+917,433

a/ Includes $17.4 million in recaptured funds.
b/ Includes $6.1 million that was transferred to the Department's Transformation Initiative account. This amount is excluded from obligations and outlays.
c/ Includes an estimated Transformation Initiative (TI) transfer of $25 million in fiscal year 2013. Total Resources and Obligations for fiscal year 2013 exclude an estimated $74 million transfer into this account from the Public Housing Operating and Capital Funds for implementation of the Rental Assistance Demonstration (RAD).

1. What is this request?

The Department requests $19.074 billion for the Section 8 Housing Choice Voucher (HCV) program. The HCV program is widely recognized as a cost-effective means of delivering decent, safe, and affordable housing to low-income families in the private market. By the end of fiscal year 2011, the HCV program assisted approximately 2,183,000 families (including Mainstream vouchers originally funded out of the Section 811 account); and HUD will continue to assist approximately the same number of households through fiscal year 2012. The President's Budget for fiscal year 2013 would provide the funding needed to continue to serve approximately 2.2 million of our nation's most vulnerable households.

The request is composed of $17.349 billion in contract renewals (including $111 million in contracts and administrative fees originally funded under the Section 811 tenant-based program), $1.575 billion in administrative fees, and $150 million in new vouchers for ($75 million) tenant protection actions and the HUD-Veterans Affairs Supportive Housing (VASH) Program ($75 million)). The request takes into consideration a total of $208 million in savings that will be realized due to proposed amendments to the definition of extremely low income for admission targeting purposes, increasing the medical expense threshold, and raising the minimum rent from $50 to $75.

Tenant-Based Rental Assistance

In fiscal year 2012, HCV received $18.9 billion under the Consolidated and Further Continuing Appropriations Act, which also included a $650 million offset of PHA reserves. The fiscal year 2013 request is $160 million higher than the gross fiscal year 2012 enacted appropriation.

This increase is mainly attributable to the need for increased funding for administrative fees that are paid to public housing agencies (PHAs) to provide the necessary resources to administer the program. The fiscal year 2013 renewal funding request of $17.238 billion is $4 million less than the fiscal year 2012 enacted level of $17.242 billion because it takes into account savings of $208 million that are anticipated to be realized in 2013 if the proposed reforms on income targeting, the medical expense deduction, and the minimum rent are enacted (these proposals are discussed in detail later in this narrative.)

The fiscal year 2012 Appropriations Act provided $1.35 billion in administrative fee funding, which resulted in a historically low proration of approximately 74 percent of fee eligibility for PHAs based on the statutory requirements found in Section 8(q), (pre-QHWRA, as required by the Appropriations Act), compared to an 83 percent proration in 2011 and a 90 percent proration in 2010.

Cutting administrative fees to the extent that PHAs are unable to sustain the leasing and utilization supported by the renewal funding ultimately defeats the purpose for which that renewal funding was appropriated. The Department is requesting $1.575 billion for administrative fees in 2013, which is an increase of $225 million over the fiscal year 2012 Appropriations. This increase addresses the need to cover the administrative costs associated with on-going operations and new vouchers made available in 2013. This funding level would raise the administrative fee proration to approximately 81 percent of fee eligibility.

The Department believes that the Housing Choice Voucher program is at substantial risk in 2012 of numerous PHAs "turning in the keys" and giving up administration of the Housing Choice Voucher program due to the severity of the 2012 cuts. The process of transitioning administration of programs that essentially are going out of business to other administering entities can be extremely disruptive to families and owners in the impacted communities. For example, two PHAs (Akron and Milwaukee) turned down allocations of 2011 HUD-VASH vouchers, citing their inability to administer additional vouchers in light of the reductions in administrative fees. In the month of January 2012 alone, 13 PHAs have had their programs transferred by HUD (or are in the process of having their programs transferred by HUD) to other agencies, as these agencies have determined they are unable to sustain operations in the coming year with such a deep proration.

Offsets

The Department is requesting authority that would allow HUD to offset PHA contract renewal allocations by the excess amount of agencies' reserves as established by the Secretary. This authority will ensure that PHAs' programs have reasonable reserves (typically no more than 1 month) to address unanticipated costs or spikes in rents during the calendar year, but will discourage the build-up of excessive reserves when those resources could be used to assist very low-income families in desperate need of rental assistance.

If HUD exercised this authority, the provision requires that the Secretary first use the funds from the offset to avoid or reduce any downward proration in renewal funding. If there is no downward proration of contract renewal funding, or if offset funding remains after eliminating any downward proration, the Secretary would then have the authority to reallocate these renewal funds to other PHAs based on need and performance.

This authority will help to ensure that contract renewal appropriations are used to assist the maximum number of families possible while protecting currently families under lease, by mitigating or eliminating any downward prorations of renewal funding. It will also improve future funding utilization by encouraging PHAs to use their annual allocation in full, and may assist in mitigating or avoiding PHA shortfalls. The ability of the HCV program to improve and stabilize leasing levels and maximize the use of all appropriated funding will be greatly enhanced by this statutory change.

In January 2013, HUD implemented new cash management procedures for the disbursement of the HCV funding. The process of disbursing only the funds required to meet current HAP costs will result in the re-establishment of HUD-held reserves, whereby unused HAP funds will remain obligated but undisbursed at the HUD level rather than held by PHAs. Existing net restricted asset (NRA) balances currently held by PHAs will be transitioned back to program reserves. This change will reduce program risk and provide for greater transparency and accountability regarding the use and availability of program reserves.

The Consolidated and Further Continuing Appropriations Act of 2012 (P.L. 112-55) authorized the Rental Assistance Demonstration (RAD) to test new preservation tools for the HUD-assisted housing stock. Select Moderate Rehab and Public Housing properties will have the option of converting assistance to long-term Section 8 rental assistance contracts. Additionally, certain Rent Supplement (RS), Rental Assistance Payment (RAP), and Mod Rehab properties, upon contract expiration or termination, will be able to convert tenant protection vouchers (TPVs) to project-based vouchers (PBVs), subject to the availability of annual appropriations of TPVs.

Carryover

HUD will use all the carryover available in fiscal year 2012 for the purposes for which Congress appropriated the funds, including where the law provides for re-purposing in order to increase PHAs' Administrative Fee proration percentages. The HCV program operates on a calendar year basis; therefore, unobligated balances as of the Federal fiscal year (FFY) reflect needs that must be addressed in the last quarter of the calendar year. Other competition based set asides have remaining funding that will be applied to the next competition. For example, of the 2011 FFY-end carryover of $51.6 million for tenant protection vouchers, over $31 million has been obligated and/or committed as of January 2012.

In fiscal year 2013, the Department renews its request for the Transformation Initiative, which provides the Secretary the flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 0.5 percent of the funds appropriated for this account may be transferred to the Transformation Initiative Fund account for the following purposes:

research, evaluations, and program metrics; program demonstrations; technical assistance and capacity building; and information technology. Departmentwide, no more than $120 million is estimated to be transferred to the Transformation Initiative Fund account in fiscal year 2013 although transfers could potentially total up to $214.8 million. The Department estimates that about $25 million would be transferred from this account for the Transformation Initiative Fund. More details on the overall Transformation Initiative and these projects are provided in the justification for the Transformation Initiative Fund account.

Outcomes

The HCV program operates with the overall objectives of:

- Increasing the number of families assisted through HUD's rental housing assistance programs;
- Supporting the goal of preventing and ending veterans homelessness;
- Supporting the Federal Strategic Plan to End Homelessness by reducing the number of chronically homeless individuals and families; and
- Providing greater access to housing and better housing opportunities for very low- and extremely low-income families.

2. What is this program?

The HCV program is the Federal Government's major program for assisting very low-income families, the elderly, and the disabled in affording decent, safe, and affordable housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to choose any housing that meets the requirements of the program. The HCV Program is authorized under Section 8(o) of the United States Housing Act of 1937 (42 USC 1437f).

The HCV Program is administered locally by about 2,350 PHAs, which receive Federal funds to administer the voucher program. A family who is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice, the owner of which agrees to rent under the program (provided the rental unit passes a Housing Quality Standards (HQS) inspection performed by the PHA).

The PHA pays the housing subsidy directly to the owner on behalf of the participating family. The family is responsible for paying the difference between the gross rent of the property and the amount subsidized by the program. The family must pay a minimum of 30 percent of their adjusted monthly income toward rent and utilities. The amount of the subsidy is capped by the payment standard established by the PHA, which may be between 90 to 110 percent of the Fair Market Rent (FMR) for the area. If families rent units with rents above the payment standard, for instance for units located in more desirable areas with greater opportunity, the family pays the difference between the gross rent and the payment standard in addition to the 30 percent of monthly adjusted income.

Tenant-Based Rental Assistance

Funding for the HCV program consists of two main cost components: Housing Assistance Payments (HAP) made to owners to cover the difference between a tenant's rent contributions and the unit rent, and administrative fees PHAs earn to cover the cost of administering the program.

Staffing

FTE	2011 Actual	2012 Estimate	2013 Estimate
Headquarters	261	261	267
Field	202	202	198
Total	463	463	465

The Budget Request proposes an increase of two positions from fiscal year 2012 to 2013.

As noted above, the Department is revising the disbursement process by which HUD provides HAP funding to PHAs for the Housing Choice Voucher (HCV) program to better align with U.S. Treasury requirements on cash management procedures. Under those procedures, HUD is responsible for ensuring that PHAs do not receive Federal funds before they are needed for eligible housing assistance payments. In addition to the change in how monthly disbursements are calculated, the net restricted asset accounts currently held by PHAs will be transitioned to reserves held by HUD on behalf of PHAs during 2012. While this disbursement change is necessary and greatly strengthens HUD's internal controls over the use of HCV funds, the series of tasks generated by this new methodology substantially increases the existing workload related to disbursements moving forward. Additional staffing is required to ensure that HAP and Administrative Fee funding and disbursement reconciliations are performed on a quarterly basis, as well as to work closely with PHAs to identify when the front-loading of funds may be necessary to ensure no disruptions in payments to landlords, while at the same time ensuring PHAs understand and operate within their budgetary constraints. Furthermore, additional staff is necessary to address increased workload related to agency homeless goals, and the VASH program in particular, which is very staff intensive. VASH work includes monitoring and working to improve leasing on a monthly basis: analyzing trends; providing technical assistance to VA, field staff, and PHAs; preparing training materials; developing policy documents; allocating new vouchers; coordinating efforts with other Federal partners; and supporting VASH related initiatives such as the rapid response teams and boot camps.

Headquarters employees are responsible for a variety of HCV administrative responsibilities. These include forecasting the budgetary needs of the HCV program, developing and preparing budget requests based on those forecasts, calculating and allocating voucher renewal funding in accordance with the Appropriations Acts, and evaluating PHA applications for additional funding from the set-asides. Headquarters employees are also responsible for the commitment, obligation and disbursement under cash management principles of over $18 billion in annual HCV funding to 2,350 PHAs. On the HAP side, this involves determining the amount of the monthly disbursements of HAP funding for each individual PHA based on the PHA's actual spending over a previous quarter and reconciling disbursements on a quarterly basis, as well as conducting a final reconciliation at the end of the year. Additional

Tenant-Based Rental Assistance

Headquarters activities include the processing and execution of Consolidated Annual Contributions Contracts and amendments for PHAs; funds control functions; collections; the calculation and disbursement of administrative fee funding based on actual PHA leasing; and the settlement of advances versus actual costs. Headquarters employees monitor timely and accurate submission of financial data including Voucher Manager System (VMS) submissions, HAP expenditures, leasing, net restricted asset (NRA) balances, and unrestricted net asset (UNA) and HCV related cash balances. They implement administrative fee sanctions for noncompliance with reporting requirements, prepare and provide financial reports and analysis not only for internal use but also for external stakeholders such as Appropriations Committee staff.

Headquarters employees also are responsible for policy development and strategic planning for the HCV program. They draft HCV regulations, notices, handbooks, and other guidance to implement statutory requirements and program policies, and develop training materials and provide training and technical assistance to field staff, PHA staff, HCV participants, and other program stakeholders in order to improve delivery of the program. They serve on interagency working groups with colleagues from the U.S. Interagency Council on Homelessness (USICH) on efforts to end homelessness, as well as the Department of Veterans Affairs (VA) to combine vouchers and services to end veterans' homelessness. They work in partnership with staff from the Department of Health and Human Services (HHS) on initiatives to help individuals transition from living in nursing homes or other institutions to living within the community. They work with Federal Emergency Management Agency (FEMA) in the wake of natural disasters to identify tenant-based resources that may be available to assist displaced families. They work to improve HUD systems and to test new systems under development.

HUD field staff is responsible for monthly monitoring and interaction with PHAs on leasing and spending to ensure optimum use of the funds to house families. HUD field employees handle daily HCV consumer-related inquiries from participants and landlords and regularly monitor data in key HUD systems such as PIH Information Center (PIC), Enterprise Income Verification (EIV), and the Financial Assessment System. They are the first-line responders to PHA requests for technical assistance and are responsible for ensuring PHAs are administering the HCV program in accordance with Federal law and program regulations. They must review annual audits and OIG audits of PHA operations, PHA Annual Plans (and any interim changes to those plans) and are responsible for the performance measurement rating done as part of the Section Eight Management Assessment Program (SEMAP), including corrective action plans for improvements in PHA operations. In the administration of special purpose vouchers, including VASH, Family Unification (FUP) and non-elderly disabled (NED), field staff works with not only the PHA but with third party partners crucial to the success of these targeted programs. In the case of VASH, for example, activities would include working with the local and regional VA offices as well as local homeless Continuum of Care organizations to ensure case management, referrals, and housing are all coordinated and expedited to facilitate the prompt housing of homeless veterans.

The Key Workload Drivers for HUD staff for the TBRA account are as follows:

(1) Determining PHA allocations and the timely and accurate disbursement of the funding in accordance with cash management principles;
(2) Verifying that the VMS data upon which those allocations and disbursements are based are accurate;
(3) Ensuring that program funding is administered in accordance with Federal law and regulatory requirements through the issuance of clearly written regulations and policy guidance, effective monitoring of PHA operations, and the provision of timely technical assistance and training; and
(4) Improving the financial management of the program to optimize utilization of funding and leasing so that desperately needed housing resources are being used efficiently and effectively to serve as many families as possible within the budgetary constraints of the PHA's program, while preventing the risk of terminations due to funding shortfalls.

The HCV program is HUD's largest program in terms of both families assisted and funding. These key workload drivers directly impact the success or failure of the major Secretarial initiatives to increase the number of families served by assisted housing programs, reduce the number of homeless families, and reduce the number of homeless veterans.

Failure to provide adequate resources for HUD staffing in support of the HCV program will result in the Department failing to accomplish these major Secretarial initiatives. For example, PHAs are unable to assist more families and serve more homeless families and veterans if they cannot plan for future leasing because their funding allocations are late. Late monthly disbursements from HUD to PHAs jeopardize the timeliness of HAP payments to landlords, placing families at risk of termination and reducing the number of landlords willing to participate in the program. Failing to verify that VMS data is true and accurate places program funding at risk of misuse or fraud, may result in funding going to the wrong PHAs, impacts the Department's ability to properly forecast need and leasing potential, and jeopardizes continued support and funding for the HCV program. This is also the case if HUD lacks the staffing capacity to implement regulations in a timely manner or effectively monitor program operations.

Failing to increase leasing at PHAs, where resources allow, results in truly needy families, veterans, disabled persons, and elderly families remaining homeless or in unsafe housing conditions while taxpayer dollars that were appropriated to help them sit unused. Not proactively working with PHAs at risk of shortfalls may result in currently assisted families may losing their housing assistance and becoming homeless. While these are clearly unacceptable outcomes for the HCV program, HUD's ability to take the actions necessary to prevent them hinges on having the staffing and resources necessary to effectively monitor and administer the program.

<u>Key Partners and Stakeholders</u>

The primary HUD partner in the HCV program is the PHA that directly administers the program locally. PHAs are created by State law to administer Federal housing programs in a particular area or jurisdiction. HUD enters into an Annual Contributions Contract (ACC) with the PHA, under which the PHA is responsible for the administration of the HCV program in accordance with Federal law and program regulations. The PHA's responsibilities include, but are not limited to, establishing local policies; determining family eligibility and certifying family income; maintaining the waiting list and selecting families for admission; conducting outreach to owners; approving units, including compliance with housing quality standards and determining the reasonableness of rents and developing utility allowance schedules; entering into Housing Assistance Payments contracts with owners and making monthly housing assistance payments; and complying with fair housing and equal opportunity requirements, the PHA administrative plans, and Federal, state, and local laws.

Another essential stakeholder in the HCV program is the approximately 700,000 participating property owners. These owners are responsible for screening tenants, selecting tenants, and entering into leases with tenants; complying with the HAP contract, lease, and tenancy addendum; carrying out normal owner functions during the lease term, such as enforcing the lease, performing maintenance, collecting the family share of rent from the family, and charging tenants for tenant-caused damage to the property; maintaining the unit in compliance with the housing quality standards of the program, and complying with fair housing and equal opportunity requirements. Owner participation in the HCV program is voluntary. Without owners who are willing to participate in the HCV program, the program would cease to function.

In addition, Special Purpose Voucher programs, including HUD-VASH, Family Unification Program (FUP), and Non-Elderly Disabled (NED) Category 2 voucher programs, all rely heavily on interagency partnerships for their success.

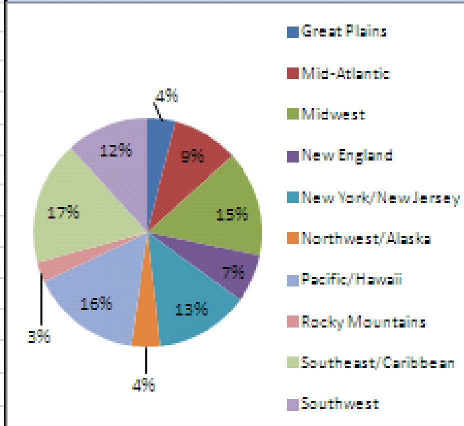
The HUD-VASH program depends on interagency partnerships at both the national and local levels. At the national level, HUD works closely with a team of policy-makers from the Department of Veterans Affairs (VA), with support and guidance provided by HUD and the U.S. Interagency Council on Homelessness (USICH). At the local level, PHAs work mainly with VA case managers, who make referrals to PHAs and provide Veterans with the support they need to remain stably housed.

National and local partnerships are also essential to the Family Unification Program (FUP), which provides vouchers for families for whom the lack of adequate housing is a primary factor in either the imminent placement of the family's child or children in out-of-home care, or the delay in the discharge of the child or children to the family from out-of-home care. In addition, FUP vouchers are targeted for youth at least 18 years old and not more than 21 years old who left foster care at age 16 or older and who lack adequate housing. At the national level, HUD collaborates with the Administration for Children and Families within the Department of Health and Human Services (HHS) to determine rules of the program for NOFAs, as well as to assess and improve the effectiveness of the program. At the local level, PHAs partner with Public Child Welfare Agencies (PCWAs) in order to receive referrals of FUP-eligible families and youth, as well as provide required supportive services to FUP-eligible youth.

HUD also maintains a strong partnership with HHS's Centers for Medicare and Medicaid Services (CMS) to implement and oversee the NED Category 2 voucher program, which helps individuals transition from living in nursing homes or other institutions to living in the community. At the local level, PHAs must partner with the state Money Follows the Person (MFP) program (or Medicaidsponsored transitional programs in states without the MFP program) in order to take referrals and ensure the necessary supportive services are provided to transitioning families.

Housing Choice Voucher Tenant Characteristics 2011

Regional Breakdown



Families with Children
50%

Female Headed Households
82%

Disabled HoH***
40%

Elderly HoH***
20%

Family Size	
1 Person	36%
2 Persons	22%
3 Persons	18%
4 Persons	13%
5 Persons	7%
6 Persons	3%
7 Persons	1%
8+ Persons	1%

Average Family Size
2.5

Ethnicity Characteristics	
Hispanic	17%
Non-Hispanic	83%

HoH Race Characteristics***	
White Only	51%
Black Only	46%
American Indian / Native American	1%
Asian	2%
Mix/Unknown	1%

Income Status****	
Extremely Low Income (≤30% AMI)	78%
Very Low Income (≤50% AMI)	18%
Low Income (≤80% AMI)	3%
Above Low Income (>80% AMI)	1%

Any Income from Wages**
34%

Average HAP*
$639

Average Tenant Contribution
$291

Average Rent
$947

Average Gross Income
$12,549

<u>Contract Renewals</u>

For calendar year 2013 contract renewals, the Department requests an appropriation of $17.238 billion, which takes into account $208 million in savings that is anticipated to be realized from proposed program reforms to income targeting ($121 million), the minimum rent requirement ($55 million), and medical expense deduction ($32 million). Contract renewals provide funding to renew expiring HCV program Housing Assistance Payments (HAP) funding increments on a calendar-year basis (contract renewal funding includes funding for the renewal of the contracts that were originally funded under the Section 811 Housing for Persons with Disabilities (Mainstream) Program. These vouchers are being converted in 2012 to the TBRA program as authorized by the Frank Melville Supportive Housing Investment Act of 2010 (Public Law 111-374--enacted on January 4, 2011).

Under the proposed renewal funding formula, renewal funding is based on validated leasing and cost data in the Voucher Management System (VMS) for the previous calendar year (as is the case in 2012). HUD makes an adjustment for the first-time renewal of certain vouchers to cover the cost of these vouchers for the months in 2013 during which the vouchers are not covered by the terms of the initial funding increment. As in the fiscal year 2012 budget request, the funding baseline is adjusted to reflect cost changes due to inflation by using a time series model to forecast per-unit costs, as developed by the Office of Policy, Development, and Research (PD&R).

The Department's request includes a $75 million set-aside within the contract renewals allocation to fund a central reserve to protect against potential cost fluctuations that may be caused by:

1) Significant increases in renewal costs resulting from unforeseen circumstances or portability;
2) Adjustments for vouchers not in use during the 12-month period to meet a commitment to "project-base" vouchers pursuant to section 8(o)(13) of the Act;
3) Adjustments for the costs associated with VASH vouchers; and
4) Adjustments for PHAs that experienced a significant increase in renewal costs resulting from participation in the Small Area FMR demonstration.

The Secretary will be able to make set-aside determinations based on need and taking into account PHA reserve levels. The set-aside amount is less than 1 percent of the contract renewal request and allows the Secretary to make critical adjustments to a PHA's baseline funding to prevent termination of vouchers for families currently receiving assistance.

Outcomes

The objectives of the TBRA renewal funding are:

- Ensuring that families currently assisted under the TBRA program continue to receive assistance;
- Supporting the Federal Strategic Plan to End Homelessness by reducing the number of chronically homeless individuals and families and veterans through the use of turnover vouchers;
- Increasing the number of families assisted through HUD's rental housing assistance programs through better utilization; and
- Providing greater access to housing and better housing opportunities for very low- and extremely low-income families.

Administrative Fees

In fiscal year 2013, the Department requests $1.575 billion for administrative fees. Administrative fees are a vital component of the HCV program, providing PHAs with the resources necessary to administer rental assistance to approximately 2.2 million families. Administrative responsibilities include managing waiting lists, conducting physical inspections, determining rent reasonableness, approving units, determining and verifying tenant income annually, evaluating tenant eligibility and calculating the amount of rent subsidy, and reviewing applications. These tasks are personnel-intensive processes for PHAs. Administrative fees are necessary to maintain an effective level of service delivery and ensure that the right benefits are going to the right people.

As highlighted in the request section, the Department is extremely concerned that the deep administrative fee pro-ration in 2012, following the cut in 2011, has depleted many PHAs' resources that are needed to cover basic PHA administrative responsibilities under the program. Cutting administrative fees to the degree that PHAs are unable to sustain the leasing and utilization supported by the renewal funding ultimately defeats the purpose for which that renewal funding was appropriated. Failing to provide adequate administrative fees will impede and disrupt PHA operations and have a chilling effect on agency priority goals such as maximizing the number of families housed through HUD's affordable housing programs, serving homeless veterans and other vulnerable populations, and expanding housing choice for families in areas of opportunity. Based on the amount requested, the administrative fees to PHAs would be at approximately 81 percent of eligibility based on the statutory requirements found in Section 8(q), pre-QHWRA. This level of proration is an increase compared the proration for the 2012 appropriated fee funding, which is approximately 74 percent.

The Department recognizes that, despite this increase to 81 percent, this request will result in a proration of fee eligibility that is less than the proration (83 percent) to which administrative fees were reduced in 2011, and the requested amount of $1.575 billion is $73 million less than the amount the Administration requested for fiscal year 2012. This is a reflection of the difficult choices that must be made in the current budgetary environment. However, as part of this Budget Request, the Department is proposing major program changes to reduce administrative burden and costs for PHAs, such as reducing the frequency of housing quality standard inspections and reduces the caseload for those requesting medical expense deductions. In addition, the Department is continuing its Next Generation Management System (NGMS) efforts, to develop improved information systems for the HCV program that will dramatically simplify PHA reporting and financial management.

Ensuring that the appropriate level of administrative fees are paid to PHAs is critical to ensuring that the primary objectives of the HCV program are being met. HUD has undertaken an in-depth time-and-motion study to determine the costs of running an effective and efficient HCV program. The purpose of the study is to provide comprehensive and detailed data on the administrative costs and burdens of the individual components of HCV program administration to better inform HUD and Congress in terms of not only determining funding need, but also to develop an entirely new funding methodology for PHA administrative fees. The HCV administrative fee study is expected to be completed in 2013, with a final report due in 2014. The Department's commitment to this administrative fee study represents a larger commitment to ensuring that PHAs receive appropriate compensation for carrying out the statutory and regulatory requirements to administer the program.

Section 8 Rental Assistance (Tenant Protection Vouchers)

The Department proposes $75 million in new budget authority for Tenant Protection (TP) vouchers in 2013. This request is necessary to provide housing for approximately 10,000 HUD-assisted families to protect them from the risk of displacement through no fault of their own from public and assisted housing that may be subject to demolition and disposition (including HOPE VI), voluntary and mandatory conversion of public housing units, multifamily unit owner decisions to prepay preservation-eligible mortgages or to not renew expiring Section 8 contracts, foreclosure, or HUD enforcement actions against owners that fail to maintain their properties in safe and sanitary conditions. Actions requiring TP vouchers are demand-driven, typically by individual owner and PHA decisions, making it challenging to estimate the actual needs for the calendar year (for instance, HUD awarded 21,098 vouchers in 2009, 17,726 vouchers in 2010, and 14,430 in 2011). Continuing to provide rental assistance for assisted families affected by these actions is vital to meeting HUD's Strategic Plan Goals, particularly Strategic Plan Goal 2 (Meet the Need for Quality Affordable Rental Homes).

Tenant Protection Vouchers are a critical resource needed to protect vulnerable families from losing access to affordable housing. HUD is estimating a demand of approximately 7,000 PH Tenant Protection vouchers and 22,200 Housing Conversion Actions for 2013. This is a significant increase in estimated demand over past years and reflects concerns that the number of preservation eligible mortgages nearing maturity will result in a serious spike in prepayments in 2013. However, the Department remains uncertain if the anticipated demand will materialize to the degree anticipated (due to a similar spike in the anticipated need of Housing Conversion Actions in 2012, it is estimated that almost 30,400 vouchers may come on line during 2012.) HUD plans to optimize the $75 million (along with any carryover that may be remaining after 2012) by funding Tenant Protection vouchers through 2013 and would request the full renewal cost in 2014. The Department is closely monitoring tenant protection voucher demand in 2012, as it may provide a good indication of the level of demand that can be expected in 2013.

Failure to fully fund the TP request will place families at risk of significant rent increases, eviction and/or homelessness due to actions outside of their control.

HUD-VASH

HUD is requesting $75 million in fiscal year 2013 for the HUD-Veterans Affairs Supportive Housing (VASH) program, which would allow HUD and the VA to serve an additional 10,000 homeless veterans. Since 2008, over 33,500 Veterans have been housed with a HUD-VASH voucher, with an additional 14,621 receiving assistance during 2011. HUD awarded approximately $75 million for HUD-VASH per year starting with 2008 fiscal year appropriations through 2010, and was appropriated $50 million in 2011.

Tenant-Based Rental Assistance

The HUD-VASH program combines tenant-based voucher assistance for homeless veterans with case management and clinical services provided by the Department of Veterans Affairs (VA) at its medical centers in local communities. PHAs awarded HUD-VASH vouchers develop partnerships with VA medical centers to help homeless veterans find permanent supportive housing.

HUD-VASH is an example of a successful collaborative program that uses the skill sets and resources of multiple Federal agencies to effectively provide services for a targeted population. Through its partnership with the VA, HUD is able to provide critical services to clients and meld the policies and processes of the two agencies. HUD and the VA coordinate joint trainings for participating PHAs and VA medical centers and carry out site visits to identify best practices and resolve on-going challenges faced by grantees. The HUD-VASH program serves as a model for other supportive housing programs.

Serving homeless veterans has required PHAs to work closely with VA medical centers to develop innovative strategies to strengthen communication, and as a result, has produced better outcomes for participating veterans. For example, the Santa Clara Housing Authority provides office space for VA case managers and both agencies use jointly developed forms to improve both efficiency and effectiveness. Other housing authorities have developed new methods to expedite the placement of veterans in homes with a voucher. For instance, PHAs conduct outreach efforts and develop lists of property owners that are particularly interested in serving veterans. HUD facilities best practices among PHAs in order to increase the effectiveness of the HUD-VASH program.

HUD-VASH is an important means for veterans and their families to obtain and maintain affordable rental housing and case management services. The HUD-VASH contribution to the Federal Strategic Plan to Prevent and End Homelessness would also have a significant impact on HUD's Strategic Plan subgoal 2A (End homelessness and substantially reduce the number of families and individuals with severe housing needs).

3. Why is this program necessary and what will we get for the funds?

Addressing the Shortage of Affordable Housing

The primary challenge that the HCV program seeks to address is the critical shortage of affordable housing in the United States. In doing so, the HCV program reduces the number of families and individuals with severe housing needs. Based on current tenant characteristics, 78 percent of families assisted in 2013 will have extremely low-incomes (defined as household income at or below 30 percent of median income) and 18 percent will have incomes between 31 and 50 percent of median income. If these families are not assisted by the HCV program, they will be among those families that are at risk of homelessness or will be forced to choose between decent housing and other life necessities such as food, clothing, and medicine.

The HCV program addresses many of the serious problems low-income families face such as homelessness, lack of neighborhood choice, and economic insecurity. The program also focuses on helping families with specific housing needs such as seniors, persons with disabilities and at-risk youth through targeted vouchers and effective partnerships with other Federal, state and local agencies to assist these vulnerable populations.

Tenant-Based Rental Assistance

Several market forces make the HCV program a critical housing asset. The state of the economy and the increasing demand for rental housing generated by the foreclosure crisis has exacerbated the need for rental assistance. A recent PD&R report estimated there were 7.1 million families with worst case housing needs in 2009 – an increase of one-fifth in only 2 years. Worst-case housing needs are defined as unassisted very low-income renter households that either pay more than half of their income towards rent or live in severely inadequate physical conditions, or both.[1] At the same time, the freeze in the credit markets and the sharp reduction demand for Low-Income Housing Tax Credits (LIHTC) greatly diminished other sources of capital available to maintain and expand the supply of affordable rental housing. While there was an overall net increase of 694,000 units in the housing market, there was a massive decrease of 570,000 units that were affordable to families with extremely low incomes in the same period (PD&R, Rental Market Dynamics: 2007-2009, May 2011). Through the HCV program, HUD enables a large inventory of rental housing in the private market to become affordable housing to very low-income families, which is an important resource during the current housing crisis.

<u>Meeting the need for quality affordable housing</u>

The HCV Program is HUD's largest rental assistance program and currently provides over two million families with rental assistance. The HCV program assists very low-income families, including the elderly and the disabled, to afford decent, safe, and affordable housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single family homes, townhouses and apartments. The participant is free to choose any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects.

Participants pay approximately 30 percent of their adjusted monthly income towards rent, with the PHA paying the difference between the tenant payment and the gross rent (rent charged by the owner and the PHA allowance for any tenant-paid utilities) directly to the owner. PHAs are responsible for inspecting units and ensuring that the rents charged by participating landlords are reasonable in comparison to the rents charged for similar unassisted units.

Reduce number of homeless families and individuals with severe housing needs

The HCV program provides housing to our nation's neediest citizens, which include the elderly, persons with disabilities, the homeless, veterans, and at-risk youth. These programs target families and individuals who are below 30 percent of area median income and are either homeless or at high risk for homelessness. Over the past 5 years, the Department has taken a number of steps to ensure that PHAs are aware of special requirements associated with special needs vouchers. HUD has also focused on providing quality technical assistance and monitoring of these vouchers to ensure that they are being utilized for the population intended. Moreover, the HCV program is a key element in reducing both chronic and family homelessness under the President's Strategic Plan (FSP) to prevent and end homelessness, as well as the goal of ending veterans' homelessness over the next 5 years.

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[1] *Worst Case Housing Needs 2009: A Report to Congress* (2011). Department of Housing and Urban Development, Office of Policy Development and Research.

Tenant-Based Rental Assistance

Expand choice in a broad range of communities

The HCV program allows voucher holders to select their own rental units, thereby expanding families' choice of affordable rental homes to a broad range of communities. As such, the HCV program provides individuals and families with opportunities to reside in mixed-income communities and lower poverty neighborhoods within livable, sustainable communities that enhance health, safety, employment, and education outcomes. HUD is testing the concept of smaller Fair Market Rent Areas based on zip codes as part of its effort to achieve better locational outcomes. The demonstration will evaluate the extent to which additional burdens fall on PHAs administering small area FMRs, including the complexity of administering numerous payment standards, public outreach efforts, increased tenant education and increased interaction with owners.

Inject billions into the private rental market and local economies

Annually the HCV program injects approximately $19 billion into the private rental market and local economies through housing assistance payments and administrative fees. These funds help to support the operations of rental property owners, both large and small, across the country. Housing assistance payments help them meet mortgage payments, local tax obligations, utility expenses, and maintain properties in good physical condition. This takes on heightened importance given the effect the recent recession has had on the housing market. A recent analysis of participating owners found that the HCV program supports roughly 700,000 property owners nationally, and that over 500,000 owners (70 percent) participating in the HCV program have just a single voucher household. Owners with one to four voucher households comprise more than 45 percent of voucher families, and the vast majority of these owners appear to be small property owners. For example, more than 78 percent of voucher families served by owners with less than five vouchers live in single family homes (detached and attached). These owners are likely to be "mom and pop" owner/operators who rely on rental income to fund small businesses, pay for their children's college education, or fund their retirement.

Without this level of funding

Contract Renewals

If contract renewal funding for Housing Assistance Payments is insufficient to fund families currently under lease, it is likely that many families will be terminated from the HCV program, leaving them at risk of substantial rent increases, eviction and even homelessness. At a minimum, insufficient contract renewal funding levels would require PHAs to take drastic actions to reduce costs to remain within their budgetary constraints. PHAs would likely not re-issue vouchers upon turnover, thus reducing the number of families served by the program. PHAs are also likely to reduce payment standards immediately, leading to increases in many families' rents and reducing the ability of voucher recipients to access housing in neighborhoods outside of areas of concentrated poverty. PHAs may also have to resort to denying portability moves to better areas, reducing family access to improved employment and educational opportunities.

Owners would also be negatively impacted if renewal funding is reduced. PHAs may not be able to make payments, leading to a reduction in rental revenue, a potential for landlords to be unable to meet mortgage obligations on those rental properties, and harm the private rental housing. Families that could not pay rent under this scenario would have to be evicted by the owner, further exacerbating the loss of rental income to the owner and making it less likely that owners will want to rent to an HCV family in the future.

Administrative Fees

Administrative fees are paid to the PHA based on the number of units under lease. If PHAs experience a reduction in their administrative fees, the following activities are likely to occur:

- The largest administrative expenditure for PHAs is salaries. Approximately 80 percent of a PHA's HCV budget is allocated to this cost. A reduction in funding may impact staffing levels and force PHAs to eliminate activities such as fraud recovery, waiting list openings, and local preferences for admissions in order to stay within their budget;
- PHAs could be forced to reduce leasing because the maintenance of the waiting list and voucher issuance and lease up processes are time and labor intensive. This leads to an eventual reduction of the number of families assisted under the HCV program, since administration is funded based on units leased, which would further exacerbate the number of worst case housing needs in the country;
- Families that require a more intensive service coordination will have to wait for their services and the number of families served in these categories will drop. These include families that receive special purpose vouchers, such as homeless veterans, non-elderly disabled, at-risk youth, disaster victims and families seeking reunification with their children. Some PHAs may have to entirely curtail efforts to serve harder to house families such as the chronic homeless or homeless veterans because they are unable to cover the added costs of successfully leasing and maintaining housing for these at-risk populations;
- Inspections may not occur in a timely manner or effectively. This may reduce the rental housing stock available to families and impair the quality of HQS inspections;
- Re-examinations and other income and rent processing may not be done in a timely or effective manner. This may increase errors in the calculation of income and rent lead to improper payments; and
- Some PHAs may have to cease operations entirely, causing serious disruption to participating families and landlords while the Department attempts to find another administrative entity to take over administration of the existing HAP contracts. New leasing in these communities is likely to cease entirely during any transition period, further lengthening the wait for assistance for families on waiting lists at those PHAs.

Tenant-Based Rental Assistance

Tenant Protection Vouchers (TPV)

If funding for TPVs is insufficient, families affected by certain PHA, owner or HUD actions are likely to experience a loss of housing assistance and/or experience significant rent increases. For example, if TPVs are insufficient and when an owner chooses to opt-out of a Section 8 project-based housing assistance payments contract, low-income families previously receiving assistance would not be protected and would lose Federal housing assistance upon the date of owner opt-out. In situations where families are eligible to receive enhanced voucher assistance to remain at a project and TPVs are insufficient, eligible families may be faced with absorbing the amount of the rental increase once the owner is released from previously required affordability restrictions or would have to move without rental assistance.

TPV funds also provide replacement and relocation housing funding for approved PHA public housing demolition and/or disposition actions and voluntary and mandatory conversion actions. Insufficient TPV funding may limit HUD's ability to approve certain PHA-submitted demolition and disposition applications. Without such guarantee, families could be forced to remain in occupancy of obsolete or financially infeasible projects. In addition, with a significant reduction in TPVs, voluntary housing conversion actions will be difficult to support, which would cause the Department to continue to fund these projects at a lower cost to the government in the long-term.

VASH

Reduction in the level of HUD-VASH funding would reduce the number of the most vulnerable homeless veterans that can be housed with supportive case management through the Department's successful collaboration with the Department of Veterans Affairs (VA). The successful collaboration of public housing agencies and VA case managers in the HUD-VASH program has helped chronically homeless veterans find permanent housing and support in their local communities. Reduction in funding would adversely impact HUD's ability to meet the Strategic Plan subgoal 2A (End homelessness and substantially reduce the number of families and individuals with severe housing needs).

4. How we know this program works?

The HCV program is one of three major Federal programs providing very low-income families, the elderly, and persons with disabilities with decent, safe, and affordable housing. The program currently provides housing assistance to about 2.2 million families. Approximately 40 percent of these families have a disabled head of household and almost 20 percent have an elderly head of household; and a little over 50 percent are families with children. The HCV program assists the most economically vulnerable families - 78 percent of those assisted have extremely low-incomes (less than 30 percent of the area median income). The average annual gross income of an HCV family is $12,549. With the average monthly rent of $947, these families would be extremely rent burdened if they did not receive assistance from the HCV program, assuming they could find owners willing to lease units to them at all with such limited resources. Many of these families have worst case housing needs and would be at risk for homelessness without the program.

The HCV program directly reduces worst case housing needs. Worst-case housing needs are defined as paying more than half of one's income for rent and/or living in severely inadequate physical conditions. A PD&R study from 2011 found that without Federal housing assistance, at least 68 of every 100 currently assisted families would have worst case housing needs in its absence (McClure, Kirk; prepared PD&R, Reduction of Worst Case Housing Needs by Assisted Housing, February 2011). Thus, it is likely that at least 1.43 million families currently receiving Housing Choice vouchers would have worst case housing needs if their assistance was withdrawn. In addition, many would likely face the real prospect of actual homelessness.

To reduce fraud, waste, and abuse in the HCV program, the Department has mandated the use of the Enterprise Income Verification (EIV) system by all PHAs that administer the HCV program. The EIV system increases the efficiency and accuracy of income and rent determinations, reduces incidents of underreported and unreported household income, removes the barriers to verifying tenant-reported income, addresses material weaknesses in a PHA's re-examination process and program operations, assures that more eligible families are able to participate in the program, and reduces improper payments and ensures the right people receive the right amount of assistance at the right time. EIV is but one strategy of a larger, HUDwide effort to reduce income and rent calculation errors and improper payments in the administration of both public housing and the HCV program. For example, HUD conducts a limited number of on-site reviews at PHAs to determine the accuracy of the PHA's rent and income calculations in the HCV and public housing programs. In addition, HUD also conducts on-site VMS reviews at numerous PHAs to ensure the VMS data, upon which the renewal funding allocations are based, is accurate and supportable.

Program Improvement

HUD monitors PHAs primarily by reviewing their leasing rate and spending of housing assistance payments throughout the year. An Optimization tool assists PHAs in projecting the level of funding necessary to maintain certain leasing rates and to take into account factors such as attrition, PHA reserves, and new vouchers awarded to the PHA. This optimization tool also plays a key role in the prevention of funding shortfalls and the stabilization of program operations. A successful voucher program is one in which the PHA is able to optimize their leasing within the budget authority provided while making administrative decisions based on their local communities needs and priorities. To date, 852 PHAs are in the Optimization Zone, which means they are utilizing at least 95 percent of their funding and/or have leased over 95 percent of their vouchers, do not have excessive NRA balances, and are not at risk of over-leasing or over-utilizing their programs. HUD is actively working with all other PHAs in order to assist them in moving into and staying within this optimal zone of program management.

The Department has several major on-going initiatives currently underway to improve the HCV program that will continue in 2013:

NGMS

The Next Generation Management System (NGMS) is a comprehensive development plan to improve the business processes for administering the HCV program. The primary goal of this project is to build a system with an appropriate and useful set of tools to manage and administer the program.

NGMS will fundamentally improve the business performance of HUD's rental assistance programs over several years. Based on the recommendations from the HUDwide rental assistance blueprint, this project will assist the Department in improving automated tracking controls across the full line of HCV business processes. It will also allow HUD to implement cash management requirements efficiently and effectively by eliminating manual processes and streamlining funding allocations, disbursements and reconciliations. By aligning current and future HCV processes, HUD aims to simplify business operations and maximize investment returns for the Department with business-driven, service-oriented solutions that employ shared and standardized technology (which will reinforce its monitoring systems to detect waste, fraud and abuse). HUD has completed the "as is" and the "to be" phase of development and is in the process of development and implementing business requirements and recommended solutions.

Administrative Fee Study

As noted earlier, HUD has undertaken a comprehensive time-and-motion study to determine the actual cost to administer an effective and efficient HCV program. The purpose of the study is to evaluate high-performing and efficient PHAs and develop an appropriate fee methodology that adequately reflects the operational costs. The study is expected to publish its results and a new funding formula in 2014.

Small Area FMR Demonstration

The Fair Market Rent (FMR) is the basis for determining the maximum monthly subsidy for an assisted family. Currently a single FMR is calculated throughout a nonmetropolitan county or a metropolitan area, which is generally comprised of several metropolitan counties. HUD expects that calculating FMRs at a smaller geography within metropolitan areas (non-metropolitan counties will continue to have one countywide FMR) will provide voucher tenants in some areas with greater ability to move into opportunity areas, where jobs, transportation and educational opportunities exist. It will also impact other areas where HUD may be over subsidizing since the current FMR is higher than prevailing rents. This demonstration will collect and report overall program cost implications, additional administrative burdens, and tenant data to determine the extent to which tenants are using the expanded set of payment standards to move into opportunity areas.

Targeted Rental Assistance Improvements Impacting the HCV Program

In addition to the above on-going improvements, HUD is also proposing several significant changes to the HCV program. These legislative amendments are found in the general provisions of this Budget Request. With a few exceptions, these changes impact not only the HCV program but also public housing and Multifamily Housing's Section 8 Project-Based Rental Assistance program.

Frequency of HQS inspections (HCV only)

HUD proposes to revise the requirement for annual housing quality standard inspections of dwelling units. Under current law, HCV units must be inspected on an annual basis, regardless of whether such units have a record of regular compliance to HQS standards. Inspecting every single unit is the most expensive form of quality control, since a unit inspection requires the cooperation of both the resident and the landlord with the inspector. Under HUD's proposal, PHAs would be required to inspect each unit at least once every 2 years. This provision would reduce both the administrative and financial burden on PHAs. PHAs would be able to vary the frequency of their inspections across the program, allowing the PHA to concentrate their inspection resources on the more marginal and higher-risk units. This has proven to be a successful model at several Moving-To-Work (MTW) PHAs. Residents will still retain their right to request inspections and are encouraged to alert the PHA if they believe there are problems with their units. The reduction in administrative burden accomplished by this revision will also allow PHAs to focus limited resources on other critical housing functions and responsibilities. In addition, PHAs will be able to satisfy inspection requirements through alternative standards if they are established by other Federal housing programs, such as HOME Investment Partnerships and Low-Income Housing Tax Credit programs. As a result, this provision should encourage participation by landlords who maintain their units in accordance with housing quality standards by reducing the number of inspections their units receive therefore minimizing their administrative burden. Decreasing the burden on landlords would encourage greater landlord participation and ultimately, provide more options for families.

Authorize limited sponsor-basing of voucher assistance (HCV only)

Homeless and other families that require services in addition to housing have benefited greatly from sponsor-basing initiatives implemented successfully by MTW agencies such as the King County Housing Authority (KCHA). Sponsor-basing entails the competitive award of voucher funding by a PHA to a not-for-profit service provider (i.e. a "sponsor") that has secured a separate funding stream to provide services. The sponsor then secures housing suitable for its families, subject to compliance with fair housing and other requirements. In the KCHA program, for example, the sponsor enters into a master lease with a landlord, and, in turn, subleases units to its client, who benefit from the combined, coordinated delivery of housing and services. We propose to authorize all PHAs to sponsor-base up to 5 percent of their voucher authorized vouchers units in order to provide housing and services to homeless individuals and families. Under the proposal, the Secretary would be authorized to waive provisions of Section 8 that would otherwise impede sponsor-basing.

Broadening the Statutory Definition for "Extremely Low-Income" (HCV, Public Housing, Section 8 Project-Based)

As proposed in the fiscal year 2012 Budget Request, HUD is again proposing a revision to section 3 of the U.S. Housing Act of 1937 adding a modified definition of "extremely low-income (ELI)" for HCV, public housing, and the Multifamily Section 8 Project-Based Rental Assistance program. As revised, ELI is defined as the higher of either the poverty guidelines provided by the Department of Health and Human Services or 30 percent of the median family income for the area adjusted for the applicable family size. The Housing Act requires PHAs and owners to target ELI households as a significant share of new admissions annually. In the HCV program, 78 percent of new families served each year by an agency must be extremely low-income. The change would save an estimated $121 million for the HCV program in 2013, and those savings are reflected in the 2013 TBRA renewal request. The effect of the proposed change is to ensure that a greater number working poor families may be eligible for housing assistance.

Increase in Minimum Rent (HCV, Public Housing, Section 8 Project-Based)

Given the increase in fair market rents for the TBRA program, the Department is proposing to increase the minimum rent from as little as $0 to $75 (with current hardship exemptions). This proposal would produce a savings of $55 million, which is assumed in the 2013 TBRA renewal request. Requiring the minimum rent to increase to $75 per month would make it comparable to minimum rent ceiling of $50 enacted in 1998 adjusted for inflation.

Revising the Threshold for Deducting Medical, Attendant Care, and Auxiliary Aid Expenses (HCV, Public Housing, Section 8 Project-Based)

HUD proposes to increase the threshold for deducting medical, attendant care, and auxiliary aid expenses to expenses that exceed 10 percent of income. Current law sets this threshold at 3 percent of income. This change will reduce the extent to which HUD pays indirectly for tenants' medical expenses while still providing a safety net for families facing extraordinary medical expenses. This change is anticipated to save $32 million in the HCV program in 2013 and the savings are reflected in the 2013 TBRA renewal request.

Consolidated Funding for FSS Coordinators (HCV, Public Housing)

The Department's Budget request for 2013 includes $60 million for this purpose under a consolidated FSS coordinator allocation that will allow PHAs to assist both housing voucher and public housing FSS program participants. The Department is requesting authority to combine the funding for HCV and PH FSS program coordinators into a new account, which will result in program streamlining and will permit coordinators to provide better and more uniform services for families assisted through both the HCV and PH programs. Please see the justification for that request for further details on this new proposal. As a result, unlike in past years, the 2013 Budget request does not include a funding request for FSS coordinators under the TBRA account as it is covered elsewhere in the budget.

Tenant-Based Rental Assistance

Flexibility of Resident Supportive Services under the Operating Fund, Capital Fund, and Section 8 Housing Choice Voucher Administrative Fee (HCV, Public Housing)

In this tight economic environment, it is critical that PHAs, including MTW PHAs, have flexibility in order to meet the needs of their resident communities. While it is necessary for HUD and PHAs to focus their resources on housing, it is also HUD's responsibility to ensure that public housing and Section 8 Housing Choice Voucher families have access to the necessary resources that will help them become self-sufficient or, in the case of elderly or people with disabilities, to remain successfully housed. The best way to ensure that families remain successfully housed, and ultimately obtain non-Federally assisted housing where possible, is to ensure that all public housing and Section 8 Housing Choice voucher residents are connected to the appropriate support systems in their communities.

In order to provide PHAs with much needed flexibility so that they can use housing as a platform for improving the quality of life for their public housing and Section 8 Housing Choice voucher families, HUD is asking for permission to provide PHAs with the authority to create the Consolidated Opportunities for Resident Enrichment (CORE) flexibility. This flexibility, which is a consolidated fund of a certain percentage, to be determined by the Secretary, of the assistance received under each of the Operating Fund, Capital Fund, and Section 8 Housing Choice Voucher administrative fees for resident supportive service purposes such as service coordination, case management, direct services where the communities lack them, administration of service programs and including but not limited to eligible resident supportive and self-sufficiency service activities listed in Housing Choice Voucher activities found under Section 8, Capital Fund activities found under Section 9(d)(1)(E), (H) and (I); Operating Fund activities found under Section 9(e)(1)(C), (D), (H), and (K); activities for services found under Section 34 (b)(1)-(6); a PHA's MTW Plan and PHA resident supportive and self-sufficiency services permitted under HUD regulations.

It is expected that combining these funds will result in cost efficiencies, freeing up resources so that PHAs can successfully use housing as a platform for improving quality of life. PHAs will be given flexibility to combine these funds and use them for the purpose of improving outcomes for all residents, including children, families, elderly, and disabled, who receive housing assistance through either Section 8 or 9. This consolidated approach also provides PHAs with flexibility to address the specific needs of the residents in their communities. As a result, PHAs would be better equipped to promote positive resident outcomes related to education, health, economic security and self-sufficiency, and safety.

In order to use these consolidated funds for this purpose, the PHA may not be designated pursuant to section 1437d (j)(2) of the United States Housing Act of 1937 or 24 CFR § 985.103 as a troubled public housing agency, and (in the determination of the Secretary) should be operating and maintaining its public housing in a safe, clean, and healthy condition. PHAs that choose to fund activities using this flexibility will be required to provide the following in their PHA Plan: evidence of meaningful resident and community participation, the results of a needs assessment that identifies the issue that it is trying to solve, the action plan for how the PHA will use the CORE flexibility to address the needs, and the outcome measures the PHA will track to ensure the outcomes improve.

This approach to consolidated resident service activities is budget neutral, and HUD is not requesting any additional funds for this purpose. PHAs can choose to use funds that are appropriated to the Operating Fund, Capital Fund, and Section 8 Housing Choice Voucher administrative fees for this purpose. Further, this approach streamlines how both HUD and the PHAs operate, as it does not require a burdensome competition and enables PHAs to have a consolidated approach to resident services for all of its residents.

<u>Rent demonstrations and promotion of innovative practices at participating PHAs</u>

The 2013 Budget includes a provision authorizing a rent policy demonstration, similar to the 2012 Budget. The provision allows PHAs to promote innovative practices with respect to increasing tenant incomes or generating energy savings and sharing those savings with residents. This provision will permit the Department to also test different concepts that may lead to program cost savings and efficiencies with respect to utility costs.

PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2011 Budget Authority	2010 Carryover Into 2011	2011 Total Resources	2011 Obligations	2012 Budget Authority/ Request	2011 Carryover Into 2012	2012 Total Resources	2013 Request
Contract Renewals	$16,663,227	$112,181	$16,775,408	$16,682,719	$16,592,351	$25,124	$16,617,475	$17,237,948
Administrative Fees ...	1,447,100	62,059	1,509,159	1,485,485	1,350,000	91,238	1,441,238	1,575,000
Section 8 Rental Assistance	109,780	59,847	169,627	118,046	75,000	51,581	126,581	75,000
FSS Coordinators	59,880	60,075	119,955	117,488	60,000	2,467	62,467	...
Veterans Affairs Supportive Housing (VASH) Program	49,900	5,447	55,347	52,764	75,000	2,583	77,583	75,000
Family Unification Program	...	15,087	15,087	14,994	...	93	93	...
Disaster Displacement Assistance	...	1,721	1,721	...	...	1,721	1,721	...
Disaster Housing Assistance Program for Hurricanes Ike and Gustav	...	...	...	...	...	...	...	...
Section 811 Mainstream Renewals	34,930	...	34,930	31,039	112,018	3,891	115,909	111,335
Transformation Initiative (transfer)	6,056	...	6,056	...	...	...	...	...
Housing and Services for Homeless Persons Demonstration	...	...	...	...	...	...	...	...
Non-Elderly Disabled ..	...	7,503	7,503	7,499	...	4	4	...
Total	18,370,873	323,920	18,694,793	18,510,034	18,264,369	178,702	18,443,071	19,074,283

PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Appropriations Language

The fiscal year 2013 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For activities and assistance for the provision of tenant-based rental assistance authorized under the United States Housing Act of 1937, as amended (42 U.S.C. 1437 et seq.) (``the Act'' herein), not otherwise provided for, [$14,914,369,000] *<u>$15,074,283,000</u>*, to remain available until expended, shall be available on October 1, [2011] *<u>2012</u>* (in addition to the $4,000,000,000 previously appropriated under this heading that became available on October 1, [2011] *<u>2012</u>*), and $4,000,000,000, to remain available until expended, shall be available on October 1, [2012] *<u>2013</u>: Provided*, That [of the] amounts made available under this heading are provided as follows:

(1) [$17,242,351,000] *<u>$17,237,948,000</u>* shall be available for renewals of expiring section 8 tenant-based annual contributions contracts (including renewals of enhanced vouchers under any provision of law authorizing such assistance under section 8(t) of the Act) and including renewal of other special purpose incremental vouchers: *Provided*, That notwithstanding any other provision of law, from amounts provided under this paragraph and any carryover, the Secretary for the calendar year [2012] *<u>2013</u>* funding cycle shall provide renewal funding for each public housing agency based on validated voucher management system (VMS) leasing and cost data for the prior calendar year and by applying an inflation factor as established by the Secretary, by notice published in the Federal Register, and by making any necessary adjustments for the costs associated with the first-time renewal of vouchers under this paragraph including tenant protection and HOPE VI vouchers: *<u>Provided further, That in determining calendar year 2013 funding allocation under this heading for public housing agencies, including agencies participating in the Moving To Work (MTW) demonstration, the Secretary may take into account the anticipated impact of changes in minimum tenant rents, targeting, and medical expense thresholds to public housing agencies' contract renewal needs:</u>* [*Provided further*, That none of the funds provided under this paragraph may be used to fund a total number of unit months under lease which exceeds a public housing agency's authorized level of units under contract, except for public housing agencies participating in the Moving to Work (MTW) demonstration, which are instead governed by the terms and conditions of their MTW agreements:] *<u>Provided further</u>*, That the Secretary shall, to the extent necessary to stay within the amount specified under this paragraph (except as otherwise modified under this Act), pro rate each public housing agency's allocation otherwise established pursuant to this paragraph: *<u>Provided further</u>*, That except as provided in the following provisos, the entire amount specified under this paragraph (except as otherwise modified under this Act) shall be obligated to the public housing agencies based on the allocation and pro rata method described above, and the Secretary shall notify public housing agencies of their annual budget [not later than] *<u>by the latter of</u>* 60 days after enactment of this Act *<u>or March 1, 2013</u>*: *Provided further*, That the Secretary may extend the [60-day] notification period, with [the prior written

approval of] *notification to* the House and Senate Committees on Appropriations: *Provided further*, That public housing agencies participating in the [Moving to Work] *MTW* demonstration shall be funded pursuant to their [Moving to Work] *MTW* agreements and shall be subject to the same pro rata adjustments under the previous provisos: *Provided further, That the Secretary may offset public housing agencies' calendar year 2013 allocations by the excess amount of agencies' reserves as established by the Secretary: Provided further, That public housing agencies participating in the MTW demonstration may be subject to an offset, as determined by the Secretary, from the agencies' calendar year 2013 MTW funding allocation: Provided further, That the Secretary shall use any offset referred to in the previous two provisos to first avoid or reduce the proration of renewal funding allocations and then on the basis of need, as established by the Secretary*: *Provided further*, That up to [$103,000,000] *$75,000,000* shall be available only: (1) [to] *for* adjust*ments in* the allocations for public housing agencies, after application for an adjustment by a public housing agency, that experienced a significant increase, as determined by the Secretary, in renewal costs of [tenant-based rental assistance] *vouchers* resulting from unforeseen circumstances or from portability under section 8(r) of the Act; (2) for vouchers that were not in use during the 12-month period in order to be available to meet a commitment pursuant to section 8(o)(13) of the Act; (3) for adjustments for costs associated with HUD-Veterans Affairs Supportive Housing (HUD-VASH) vouchers; and (4) for [incremental tenant-based assistance for eligible families currently assisted under the Disaster Voucher Program as authorized by Public Law 109-148 under this heading and the Disaster Housing Assistance Program for Hurricanes Ike and Gustav on the condition that such vouchers will not be re-issued when families leave the program] *adjustments in the allocations for public housing agencies that experienced a significant increase, as determined by the Secretary, in renewal costs as a result of participation in the Small Area Fair Market Rent demonstration*: *Provided further*, That the Secretary shall allocate amounts under the previous proviso based on need as determined by the Secretary;

(2) $75,000,000 shall be for section 8 rental assistance for relocation and replacement of housing units that are demolished or disposed of pursuant to section 18 of the Act, conversion of section 23 projects to assistance under section 8, the family unification program under section 8(x) of the Act, relocation of witnesses in connection with efforts to combat crime in public and assisted housing pursuant to a request from a law enforcement or prosecution agency, enhanced vouchers under any provision of law authorizing such assistance under section 8(t) of the Act, HOPE VI vouchers, mandatory and voluntary conversions, and tenant protection assistance including replacement and relocation assistance or for project-based assistance to prevent the displacement of unassisted elderly tenants currently residing in section 202 properties financed between 1959 and 1974 that are refinanced pursuant to Public Law 106-569, as amended, or under the authority as provided under this Act: *Provided*, That when a public housing development is submitted for demolition or disposition under section 18 of the Act, the Secretary may provide section 8 rental assistance when the units pose an imminent health and safety risk to residents[: *Provided further*, That the Secretary may only provide replacement vouchers for units that were occupied within the previous 24 months that cease to be available as assisted housing, subject only to the availability of funds: *Provided further*, That of the amounts made available under this paragraph, $10,000,000 may be available to provide tenant protection assistance, not otherwise provided under this paragraph, to residents

residing in low-vacancy areas and who may have to pay rents greater than 30 percent of household income, as the result of (1) the maturity of a HUD-insured, HUD-held or section 202 loan that requires the permission of the Secretary prior to loan prepayment; (2) the expiration of a rental assistance contract for which the tenants are not eligible for enhanced voucher or tenant protection assistance under existing law; or (3) the expiration of affordability restrictions accompanying a mortgage or preservation program administered by the Secretary: *Provided further*, That such tenant protection assistance made available under the previous proviso may be provided under the authority of section 8(t) or section 8(o)(13) of the United States Housing Act of 1937 (42 U.S.C. 1437f(t)): *Provided further*, That the Secretary shall issue guidance to implement the previous provisos, including, but not limited to, requirements for defining eligible at-risk households within 120 days of the enactment of this Act];

(3) [$1,350,000,000] *$1,575,000,000* shall be for administrative and other expenses of public housing agencies in administering the section 8 tenant-based rental assistance program, of which up to $50,000,000 shall be available to the Secretary to allocate to public housing agencies that need additional funds to administer their section 8 programs, including fees associated with section 8 tenant protection rental assistance, the administration of disaster- related vouchers, Veterans Affairs Supportive Housing vouchers, and other special purpose incremental vouchers: *Provided*, That no less than [$1,300,000,000] *$1,525,000,000* of the amount provided in this paragraph shall be allocated to public housing agencies for the calendar year [2012] *2013* funding cycle based on section 8(q) of the Act (and related Appropriation Act provisions) as in effect immediately before the enactment of the Quality Housing and Work Responsibility Act of 1998 (Public Law 105-276): *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 from prior fiscal years, notwithstanding the purposes for which such amounts were appropriated: *Provided further, That all public housing agencies participating in the MTW demonstration shall be funded pursuant to their MTW agreements, and shall be subject to the same uniform percentage decrease as under the previous proviso*: *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;

[(4) $60,000,000 shall be available for family self-sufficiency coordinators under section 23 of the Act;]

[(5) $112,018,000] *(4) $111,335,000* for the renewal of tenant-based assistance contracts under section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013), including necessary administrative expenses: *Provided, That administrative and other expenses of public housing agencies in administering the special purpose vouchers in this paragraph shall be funded under the same terms and be subject to the same pro rata reduction as the percent decrease for administrative and other expenses to public housing agencies under paragraph (3) of this heading*;

[(6)] *(5) $75,000,000* for incremental rental voucher assistance for use through a supported housing program administered in conjunction with the Department of Veterans Affairs as authorized under section 8(o)(19) of the United States Housing Act of 1937: *Provided*, That the Secretary of Housing and Urban Development shall make such funding available, notwithstanding section 204 (competition provision) of this title, to public housing agencies that partner with eligible VA Medical Centers or other entities as designated by the Secretary of the Department of Veterans Affairs, based on geographical need for such assistance as identified by the Secretary of the Department of Veterans Affairs, public housing agency administrative performance, and other factors as specified by the Secretary of Housing and Urban Development in consultation with the Secretary of the Department of Veterans Affairs: *Provided further*, That the Secretary of Housing and Urban Development may waive, or specify alternative requirements for (in consultation with the Secretary of the Department of Veterans Affairs), any provision of any statute or regulation that the Secretary of Housing and Urban Development administers in connection with the use of funds made available under this paragraph (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the Secretary that any such waivers or alternative requirements are necessary for the effective delivery and administration of such voucher assistance: *Provided further*, That assistance made available under this paragraph shall continue to remain available for homeless veterans upon turn-over; and

[(7)] *(6)* The Secretary shall separately track all special purpose vouchers funded under this heading. *(Department of Housing and Urban Development Appropriations Act, 2012.)*