

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PUBLIC AND INDIAN HOUSING
HOUSING ASSISTANCE FOR NEEDY FAMILIES

PROGRAM HIGHLIGHTS

	ESTIMATE 2002	ENACTED 2003	ESTIMATE 2004	INCREASE + DECREASE - 2004 vs 2003
	(Dollars in Thousands)			
Obligations .....	... a/	... a/	\$13,607,201	\$13,607,201
<u>Appropriations:</u>				
Appropriation .....	...	...	13,607,201	13,607,201
Advance Appropriation				
(Available Oct 1, 2003) .....	...	...	4,200,000	4,200,000
Advance Appropriation				
(Available Oct 1, 2004) .....	...	...	-4,200,000	-4,200,000
Subtotal .....	...	...	13,607,201	13,607,201
Use of Balances .....	...	...	-1,072,000	-1,072,000
Net Budget Authority .....	...	...	12,535,201	12,535,201
Budget Outlays .....	... a/	... a/	6,086,000	6,086,000

a/ Funded out of the Project-Based Rental Assistance program (formerly the Housing Certificate Fund).

SUMMARY OF BUDGET ESTIMATES

The Department is requesting \$13.607 billion to be available for the newly established Housing Assistance for Needy Families (HANF) program in fiscal year 2004. HANF replaces the Housing Choice Voucher program previously funded out of the Housing Certificate Fund. This request includes \$8.335 billion in new budget authority and \$4.2 billion in advance appropriation from fiscal year 2003 to be transferred from the Project-Based Rental Assistance program and available in fiscal year 2004. Further, it includes \$1.072 billion in carryover and recapture of prior year balances that will be transferred from the Project-Based Rental Assistance program to HANF. In addition, \$4.2 billion is requested in advance appropriations that will be available on October 1, 2004.

The Department is requesting \$11.554 billion for the renewal of approximately 1,935,649¹ expiring Section 8 annual contribution contracts for rental and homeownership assistance including \$72 million for the Family Self-Sufficiency coordinators. The Hope VI tenant-based assistance, previously funded through HOPE VI account, will be renewed under this account upon expiration. In addition, the Department is requesting \$252 million for "tenant protection" activities to support approximately 43,300 new units, and \$609 million for a central fund. The central fund will be available for use to: (1) support leasing up to the Public Housing Agency's (PHA) authorized baseline; (2) fund additional incremental vouchers including up to \$36 million for non-elderly disabled families; and (3) fund up to \$100 million in costs associated with developing capacity in all the States which will assume the administration of the HANF program. In addition, approximately \$1.192 billion is requested for administrative and other expenses of public housing agencies in administering the Section 8 rental and homeownership program.

¹ Budget estimates are based on units under lease instead of units under contract.

In the first year of implementation, HUD will provide renewal voucher funding directly to PHAs, and all the incremental voucher funding will be directed to PHAs through States. In 2005 and beyond, all the funding will be provided to States who in turn will assume this function at the local level and report to HUD on a statewide basis.

PROGRAM DESCRIPTION AND ACTIVITY

Introduction. This proposal establishes a new block grant program called the Housing Assistance For Needy Families. The Department will be submitting a comprehensive legislative proposal to implement this proposal. This program will replace the current tenant-based Housing Choice Voucher Program and will streamline funding, administrative and reporting processes. Converting the current program to a block grant approach is necessary to improve the delivery of rental and homeownership subsidies for low-income families and eliminate the significant recapture and under-utilization problems that plague the current tenant-based program.

Currently, HUD is responsible for overseeing the voucher program activities of approximately 2,600 individual housing agencies. Under HANF, the responsibility of financial management and program administration will be given to the States. States will be responsible for administering the program directly or contracting with local housing authorities or other public, non-profit or private entities to administer assistance at the local level. HUD will provide median rent information, which will give some guidance to the State as well as provide a benchmark for the number of families that can be served in the locality. States will be given the authority to hold PHAs accountable for under-utilization of funds and will have the flexibility to commit otherwise unused funds for tenant-based vouchers, homeownership initiatives, and other rental assistance programs. At the national level, HUD will hold States accountable through performance standards and will provide incentives to the States based on performance.

HANF will offer States significant flexibility in determining program standards--on a local, regional and/or state level--subject to the broad parameters set forth in HANF. This flexibility will assist in creating a responsive and efficient system of administration that will increase housing opportunities for low-income families and allow for coordination with other state programs, including the Temporary Assistance for Needy Families (TANF) program.

The Housing Voucher program was recently evaluated by the Office of Management and Budget's Program Assessment Rating Tool (PART). The goal was to ascertain the effectiveness of the program in the areas of purpose, planning and management. The program's relative high score was based on the fact that it provides a cost-effective alternative to other forms of housing assistance. The program provides benefits such as portability and choices in housing that are more advantageous than public housing. The program also emphasizes the goals of tenant mobility and movement toward self-sufficiency. HANF will address areas of deficiency revealed by the PART analysis such as the lack of coordination with the TANF administered by States, and efforts to provide flexibility and accountability to administrators of voucher funds.

Rationale for Block Grant. The Housing Choice Voucher program is HUD's largest program in both terms of annual budget authority and units under contract and is currently administered by approximately 2,600 State and local agencies. HUD and Congress share concerns that this key program is not functioning efficiently to the detriment of both needy families and the taxpayers.

Each year, many PHAs administering the Voucher program are unable to utilize large sums of program dollars that are then unavailable to provide decent housing to low-income families. One of the causes of this chronic under-utilization of funds and the resulting annual recaptures is that the program is overly complex and difficult to administer. PHAs are also administering several so-called "boutique" programs under the umbrella of the Housing Choice Voucher Program. Administering several subprograms with different variations or requirements creates administrative burdens and negatively impacts program utilization. HANF will simplify program requirements and avoid the "one size fits all" program design by providing program administrators with greater administrative flexibility to meet the overall program objective of assisting low-income families to live in decent, safe, and sanitary housing.

There are also significant concerns about the amount of time it takes to make new funding available to families after the appropriation is enacted. When new funding is appropriated for the Housing Choice Voucher Program, HUD currently allocates funds to PHAs under a complex competition through Notices of Funding Availability (NOFA) published in the Federal Register. The funding remains unused during this process. The new approach will eliminate this competition and subsequent processing issues by distributing any funding allocations and unused allocations to high performing states based on performance and demonstrated capacity.

Implementation. Fiscal year 2004 will be a transitional year in which HUD will provide renewal voucher payments including administrative fees directly to PHAs currently managing the program. In addition, a portion of the Central Reserve Fund will be provided to States for start-up costs related to establishing the State program. States will use the transition year to

establish the State program and demonstrate the ability to manage HANF entirely beginning on October 1, 2004. In addition, States will be provided with the ability to petition HUD for statutory and regulatory waivers. Finally, States can apply for vouchers if they have an existing State agency (equivalent to a PHA), or an intermediary to administer the program.

By the end of the transition year, States will be required to submit to HUD a policy statement generally describing how the State plans to administer the HANF program. HUD will issue a notice outlining the components to be addressed in each statement. In fiscal year 2005 and beyond, States will receive all HANF funding. HUD will maintain a smaller central reserve to account for emergencies and performance-based incentives. States will also be responsible for determining how to allocate administrative fees to their contracted voucher administrators.

A minimum rent of at least \$50 a month is proposed for non-elderly, non-disabled recipients of low-income housing assistance. It is intended to promote and increase equity in the treatment of recipient households with similar needs.

Assessment Criteria. Performance measures identify the critical standards a program must achieve. Successful performance will result in the full funding of the grant in the subsequent year and eligibility for award of new allocations and reallocation of funds from unsuccessful agencies. After the 1-year transitional time new performance measures will be instituted to track the effectiveness of each State program. Possible factors on which assessment criteria will be based include the following:

1. The agency is utilizing a percentage of non-administrative funds for housing assistance payments;
2. The agency is assisting a percentage of the baseline number of households;
3. The agency is assisting families, elderly, and the disabled in proportion to their identified needs for housing assistance;
4. The agency has achieved a threshold level of funding dedicated to homeownership and homeownership activities;
5. The agency has demonstrated at least a standard level of program compliance and management, as measured by an assessment system developed by the Department to include quality of units, rent reasonableness, financial audits, and rental integrity performance;
6. The agency documents the success of self-sufficiency initiatives, measured by the following:
 - The duration of program tenancy decreases enabling more families on waiting lists to receive assistance;
 - The percentage of tenants employed increases; and
 - Coordination of State agency activities that provide support to tenants in areas such as TANF, job training, food stamps, childcare, medical assistance, and transportation.
7. Incentive actions identify program results that qualify an agency for additional funds to support program related activities. These results may include but not be limited to increasing the number of percentage of participants who achieved or increased their earned income after entering the program; increasing and/or achieving successful homeownership rates; and increasing the involvement of faith-based and community-based organizations as sub-grantees.

Housing Assistance for Need Families (Including Contract Renewals)-POLICY

	<u>Units</u>	<u>Per Unit Cost</u>	<u>Term</u>	<u>Budget Authority</u>
FY 2004:				
Tenant Protections--Housing	30,300	6,407	1	176,483,909 a/
Tenant Protections--PIH	13,000	6,407	1	75,719,091 a/
Non-Elderly Disabled	NA	NA	1	[36,000,000]
Contract Renewals	1,935,649	6,468	1	11,553,616,000 a/
Administrative Fees	NA	NA	1	1,192,382,000
Central Reserve	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>609,000,000</u>
Subtotal, HANF	1,978,949			13,607,201,000
Offset of FY 2002 HCF balances	NA	NA	NA	(1,072,000,000)
Total, FY 2004 Hsng Assist. for Needy Families	1,978,949			12,535,201,000

a/ The amounts reflected are for rental and homeownership assistance only and exclude administrative fees.
Therefore, the numbers will not multiply across.

Housing Assistance for Needy Families (Contract Renewal Estimates)-POLICY

	<u>Units</u>	<u>Per Unit Cost</u>	<u>Term</u>	<u>Funding Requirements</u>
<u>Fiscal Year 2004:</u>				
Tenant Protections	25,683	6,468	1	151,016,040 a/
Incremental Vouchers	24,386	6,468	1	143,389,680 a/
HOPE VI	1,236	6,468	1	7,994,448 a/
Vouchers	1,884,344	6,468	1	11,179,215,664 a/
Family Self-Sufficiency	<u>N/A</u>	NA	NA	<u>72,000,000</u>
Subtotal FY 2004	1,935,649			11,553,616,000
Administrative Fees	<u>NA</u>	NA	1	<u>1,138,161,600</u>
Total Contract Renewals	1,935,649			12,691,777,600

a/ The amounts reflected are for rental and homeownership assistance only and exclude administrative fees.
Therefore, the numbers will not multiply across.

ADMINISTRATIVE EXPENSES

FTE/OBJECT CLASS	ESTIMATE 2002	ENACTED 2003	ESTIMATE 2004
FTE			
Headquarters	205
Field	116
Total FTE	321
S&E Cost (Dollars in Thousands)			
Personal Services	\$30,961
Travel	1,995
Printing	106
Other Services	800
Supplies	25
Total S&E Cost	\$33,887