

**PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
2014 Summary Statement and Initiatives
(Dollars in Thousands)**

TENANT-BASED RENTAL ASSISTANCE	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2012 Appropriation	\$18,914,369	\$205,394 ^a	-\$650,000	\$18,469,763	\$18,316,054	\$17,951,886
2013 Annualized CR	19,005,645	153,709	...	19,159,354	19,159,354	18,918,904
2014 Request	<u>19,989,216^b</u>	<u>...</u>	<u>...</u>	<u>19,989,216</u>	<u>19,989,216</u>	<u>19,956,431</u>
Program Improvements/Offsets	+983,571	-153,709	...	+829,862	+829,862	+1,037,527

a/ Includes \$26.7 million in recaptured funds.

b/ This number includes an estimated Transformation Initiative (TI) transfer that may be up to 0.5 percent or \$15 million of Budget Authority, whichever is less.

1. What is this request?

The Department requests \$19.989 billion for the Section 8 Housing Choice Voucher (HCV) program. This request will allow the Department to continue to serve over 2.2 million very low-income families by providing rental assistance so that they will be able to live in housing that is decent, safe, and sanitary. If the HCV program does not assist these families, they will be at great risk of homelessness or will be forced to choose between decent housing and other life necessities such as food, clothing, and medicine. At the same time, this request supports approximately 700,000 landlords and property owners who participate in the program by providing a fair market rent so that they can 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.

This request is composed of \$17.968 billion in contract renewals, \$111 million in contracts and administrative fees originally funded under the Section 811 tenant-based program, \$1.685 billion in administrative fees, \$225 million in new vouchers (\$150 million in tenant protection actions, \$75 million for the HUD-Veterans Affairs Supportive Housing (VASH) Program). Discussion of program improvements and information technology investments is on pages 19-24.

The request represents an increase of approximately \$1.7 billion from the 2012 Enacted level. The increase will ensure uninterrupted assistance to families under lease during calendar year 2013; full funding to renew vouchers first leased in 2013; and accounts for increases in rental costs due to inflation. Additionally, HUD anticipates that most tenant protection actions in 2013 will only be funded through the end of the calendar year (instead of the typical 12 months) in order to meet the anticipated need. Therefore, the Department has included the full cost (12 months) of Housing Assistance Payment (HAP) funding for these vouchers in 2014.

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The Department requests \$1.685 billion for administrative fees in 2014 (an increase of \$335 million over the fiscal year 2012 level) to ensure that Public Housing Authorities (PHAs) continue the effective and efficient administration of the HCV program. The requested amount represents a proration of approximately 82 percent of fee eligibility. This increase addresses the need to cover the administrative costs associated with on-going operations and the new vouchers requested in 2014. The fiscal year 2012 funding level provided \$1.350 billion in administrative fee funding, which by itself resulted in a fee proration of approximately 74 percent. This was a substantial decrease compared to funding levels that provided for an 83 percent proration in 2011 and a 90 percent proration in 2010.

The requested level of administrative fee funding is critical. In 2012, a number of PHAs “turned in the keys” and gave up administration of the HCV program due to the severity of the 2012 cuts. In calendar year 2012, HUD transferred the administration of the HCV program from 29 PHAs to other agencies because those PHAs determined they were unable to sustain future operations with such deep prorations of administrative fee funding. The number of transfers in 2013 to date is already 13. Transfers in 2012 transfer exceeded the number of transfers that took place over the course of each of the 3 preceding calendar years (2011 - 25 transfers, 2010 - 24 transfers, and 2009 - 16 transfers) and 2013 transfers are on pace to do the same. The process of transitioning administration of programs that essentially go out of business to other administering entities can be extremely disruptive to families and owners in the impacted communities. The reduction in administrative fees also contributed to several PHAs refusing new allocations of HUD-VASH vouchers in 2012. At least six PHAs indicated an inability to take on additional vouchers, citing increased costs associated with administering such vouchers, being short-staffed, or otherwise underfunded.

The Department requests \$150 million for Tenant Protection (TP) vouchers in 2014, an increase of \$75 million over the fiscal year 2012 level, primarily to accommodate families living in 22,500 multifamily housing units whose owners are either prepaying or opting out of the program and 7,000 public housing units being removed from the inventory due to demolition or disposition. This request is necessary to protect families from the risk of displacement through no fault of their own from public and assisted housing.

Finally, the overall requested amount reflects \$235 million in anticipated savings in 2014 from proposed changes to income targeting (\$155 million), the increase in the medical expense exclusion threshold from 3 to 10 percent (\$30 million) and a change in how utility allowances are determined in the case of families who rent units that are larger than the bedroom size of the voucher for which they qualify under the PHA subsidy standards (\$50 million). The first two proposals were included in the 2013 President’s Budget.

The Department requests the authority to offset and reallocate PHAs’ contract renewal allocations by the excess amount of agencies’ reserves as established by the Secretary. This authority will enable HUD to assure that resources are used to assist very low-income families in desperate need of rental assistance, while still ensuring that PHAs have reasonable reserves (typically no more than 1 month) to address unanticipated costs or spikes in rents during the calendar year. HUD would use the offset taken against PHAs’ excess reserves to reallocate funding to: (1) assist those PHAs that have taken reasonable cost savings measures but are still faced with insufficient funding that will result in the termination of families’ assistance; and (2) to reduce the downward proration in

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renewal funding for all PHAs. This authority will help to ensure that contract renewal appropriations are used to assist the maximum number of families possible while protecting those families currently under lease, and by mitigating or eliminating any downward prorations of renewal funding.

This request has not been increased to reflect units that are anticipated to convert from public housing to Project-Based Voucher (PBV) assistance under the Rental Assistance Demonstration (RAD). At this point, it very difficult to predict the number of public housing units that will have completed the conversion process in calendar year 2013 or the number that will require renewal funding under the Tenant-Based Rental Assistance (TBRA) account. Therefore, the Department will use its statutory authority under the Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55) to transfer amounts from the fiscal year 2014 Operating Fund and Capital Fund appropriation to the TBRA account to fund the calendar year 2014 renewal costs for public housing units that have converted in calendar year 2013 to PBV (this is the same statutory transfer authority the Department is using to cover the initial cost for those public housing units that converted in calendar year 2013 under RAD). The Department currently estimates that \$43.2 million will need to be transferred from the Operating and Capital Funds to the TBRA and/or PBRA accounts in calendar year 2014 for this purpose, though the precise amount will be determined based on the number and characteristics of units that actually complete conversion in calendar year 2013. Subsequent budget year requests will reflect the RAD renewal needs in the TBRA account, as actual numbers become known.

In fiscal year 2014, the Department renews its request for the Transformation Initiative Fund, which provides the Secretary the flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. This program may transfer up to 0.5 percent or \$15 million, whichever is less, to the Transformation Initiative Fund for the operation of a second-generation Transformation Initiative (TI2). More details on TI2 and its projects are provided in the justification for the Transformation Initiative Fund account.

Outcomes

Key outcomes of the Housing Choice Voucher (HCV) program are:

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

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2. What is this program?

The HCV program is the federal government's major program for assisting very low-income families, the elderly, and persons with disabilities to afford decent, safe, and sanitary housing in the private market. The HCV program currently provides rental assistance to over 2.2 million families. This program serves the most economically vulnerable families in the country, including families with disabilities, elderly families, formerly homeless veterans, and families with children. Many families assisted by the program formerly experienced worst-case housing needs and without the benefit of this program would be at immediate risk of homelessness. Of the families currently receiving HCV assistance, 78 percent are extremely low-income, with incomes at or below 30 percent of the area median income, 40 percent have a disabled head of household, and 18 percent are elderly families.

The HCV Program is authorized under Section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)) and is administered locally by approximately 2,300 PHAs. A family who is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice, including single family homes, townhouses and apartments, in which the owner agrees to rent under the program (provided the rental unit passes a Housing Quality Standards (HQS) inspection performed by the PHA). Tenant-based housing assistance is provided on behalf of the family or individual as opposed to a subsidy tied to a particular unit or project. Participating families may subsequently choose to move to another unit, neighborhood, or community without losing their rental assistance.

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.

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.

Contract Renewals

For calendar year 2014 contract renewals, the Department requests an appropriation of \$17.968 billion. Contract renewals provide funding to renew expiring HCV program Housing Assistance Payments (HAP) funding increments on a calendar-year basis (an additional \$111 million in contract renewal funding supports the contracts and administrative fees that were originally funded under the Section 811 Housing for Persons with Disabilities (Mainstream) Program; these vouchers were converted to the HCV program under the Frank Melville Supportive Housing Investment Act of 2010 (Public Law 111-374 — enacted on January 4, 2011).

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The proposed renewal funding formula, as in previous years, is based upon the prior year's validated leasing and cost data as reported by PHAs in the Voucher Management System (VMS) (or successor system). As was the case with the fiscal years 2012 and 2013 budget requests, the funding baseline is adjusted to reflect anticipated cost changes due to inflation by using a time series model developed by the Office of Policy, Development, and Research (PD&R). First-time renewals are also adjusted by the PD&R inflation factor. As noted earlier in the document, the renewal funding is being further adjusted to reflect the anticipated savings resulting in 2014 from the implementation of cost savings proposals on income targeting, change in the medical expense exclusion threshold from 3 to 10 percent, and adjustment of the utility allowance policy. The anticipated savings in 2014, following implementation in 2013 total \$235 million, and include: 1) \$155 million as a result of the change in income targeting; 2) \$30 million with respect to the change in the medical expense exclusion; and 3) \$50 million as a result of the proposed change in how utility allowances are set (the utility allowance provided would be no more than the number of bedrooms that the family qualifies for under the PHA subsidy standards)¹. The savings estimates are based on the Congressional Budget Office's April 2012 estimate of the savings that would be generated for these three provisions in the year following implementation.

The Department's request includes up to \$50 million in set-aside funding within the contract renewals allocation for 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;
- 4) Adjustments for PHAs that experienced a significant increase in renewal costs resulting from participation in the Small Area FMR demonstration (described below); and
- 5) For PHAs that despite taking reasonable cost savings measures, as determined by the Secretary, would otherwise be required to terminate participating families' assistance due to insufficient funds.

In making set-aside determinations, the Department may take need and PHA reserve levels into account. The set-aside amount is less than 1 percent of the contract renewal request and allows the Secretary to make critical and necessary adjustments to a PHA's baseline funding where actual renewal need may not be reflected due to the circumstances outlined above.

¹ A family may rent a larger size unit under the voucher program in some circumstances. However, the payment standard used to determine the monthly assistance payment is always the lower of the actual unit size or the bedroom size the family qualifies for under the PHA subsidy standards, so that the cost to the program is not increased but is rather the family's responsibility. The proposed change would essentially ensure that the applicable utility allowance used would also never exceed the allowance for the number of bedrooms for which the family qualifies, regardless of the size of the actual unit rented by the family.

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Administrative Fees

In fiscal year 2014, the Department requests \$1.685 billion for administrative fees.² 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.

Providing an appropriate level of administrative fees to PHAs is critical to ensuring that the primary objectives of the HCV program are being met and that funds are utilized efficiently. The Budget request seeks administrative fee funding at a 82 percent proration level of fee eligibility to ensure PHAs have the necessary resources to carry out their responsibilities under the program. As noted earlier, fee eligibility is based on the statutory formula found in Section 8(q) (pre-QHWRA) as required by the Appropriations Act. The proration is the percentage of the fee that can actually be paid to the PHA in order not to exceed the funding amount appropriated. This level of proration is an increase compared with the proration estimated to result from the 2012 administrative fee funding, which only supported fees at a proration of approximately 74 percent.

As highlighted in the request section, the Department is extremely concerned that the significant administrative fee proration in 2013, following the historically low funding prorations in 2011 and 2012, has depleted many PHAs' resources. 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 is appropriated. Failing to provide adequate administrative fees will impede and disrupt PHA operations and have a chilling effect on the accomplishment of 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.

HUD has recognized the critical need for data regarding the true cost of administering the voucher program, both in order to budget for administrative costs and to provide HUD and Congress with information to support decision-making regarding changes in program policies, goals, and requirements that considers the administrative cost impacts (both increases and decreases) and trade-offs of those decisions. Consequently, 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 the Department and Congress of funding needs. The study will also use the findings to propose a new funding methodology for PHA administrative fees. Intensive

²The administrative fee request includes fees for those Rental Assistance Demonstration/Public Housing Conversion vouchers that are renewing for the first-time in 2014. While the HAP renewal needs will be transferred from Section 9 fees, the administering PHAs will also require Administrative Fees for these units.

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time measurement and other data collection activities will occur at approximately 60 high performing PHAs over the course of calendar year 2013, with a final report due in 2014. Additionally, 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 income certifications for fixed income families from annually to once every 3 years. The Department is also continuing its Next Generation Management System (NGMS) efforts to develop improved information systems for the HCV program with the goal of significantly simplifying PHA reporting and financial management.

Section 8 Rental Assistance (Tenant Protection Vouchers)

The Department requests \$150 million in new budget authority for Tenant Protection (TP) vouchers in 2014. This request is necessary to provide housing for approximately 29,500 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. (Note: The Tenant Protection request does budget for new vouchers for Public Housing units that will be converting to the Project-Based Voucher program under the Rental Assistance Demonstration (RAD.) The funding to cover the housing assistance payments and administrative fees for those units during the term of the initial funding increment will be transferred to the Tenant Protection Account from the Public Housing Funds on an as-needed basis).

Actions requiring TP vouchers are demand-driven, typically by individual owners' and PHAs' 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). HUD is estimating that approximately 22,500 vouchers will be needed for tenant protection actions in HUD's Office of Multifamily Housing's portfolio, and approximately 7,000 tenant protection vouchers will be needed for public housing actions. The large number of vouchers anticipated for Multifamily Housing Conversion Actions when compared to recent years' actions reflects concerns that the significant number of preservation eligible mortgages nearing maturity will result in corresponding number of prepayments in 2014. HUD plans to optimize the \$150 million if necessary by funding TP vouchers through 2014 and would request the full renewal cost in 2015. In addition, the Department proposes using for TP vouchers recaptures and carryover remaining from amounts appropriated in prior fiscal years for voucher assistance for nonelderly disabled families and for disaster assistance (made available under Public Law 110-329) since HUD currently has balances related to those programs that are too small to be effectively used to fund vouchers.

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). Failure to adequately fund the TP request will place families at high risk of significant rent increases, eviction, and/or homelessness. The Department will continue to closely monitor tenant protection demand in 2013, as it may be an early indicator of the level of demand that can be expected in 2014.

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HUD-VASH

The Department requests \$75 million in fiscal year 2014 for the HUD-Veterans Affairs Supportive Housing (VASH) program, which would allow HUD and the VA to serve an additional 10,000 homeless veterans. As of April 2012, almost 40,000 Veterans have been housed with a HUD-VASH voucher. HUD awarded approximately \$75 million for HUD-VASH per year in fiscal years 2008 through 2010, \$50 million in fiscal year 2011, and another \$75 million in fiscal year 2012.

According to the 2011 supplement to the Annual Homeless Assessment Report (AHAR) released in December 2011, **homelessness among Veterans declined by nearly 12 percent between January 2010 and January 2011**. This 12 percent decline indicates that HUD and VA are making significant progress toward meeting the goal of ending Veteran homelessness by 2015. The additional \$75 million for HUD-VASH awards in fiscal year 2014 is needed to ensure that veterans have a safe and affordable place to live.

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 that are awarded HUD-VASH vouchers either develop new partnerships or continue existing 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 the partnership, HUD and VA integrate their policies and processes to provide critical services to participating veterans. HUD and the VA also coordinate joint trainings for participating PHAs and VA medical centers and carry out site visits to identify best practices and resolve ongoing challenges faced by grantees. The HUD-VASH program serves as a model for other supportive housing programs.

Serving homeless veterans has motivated 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, some PHAs provide office space for VA case managers. 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 facilitates 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 (FSP) also has a

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significant impact on HUD's Strategic Plan subgoal 2A (End homelessness and substantially reduce the number of families and individuals with severe housing needs).

Section 811 Mainstream Renewals

The Department requests \$111 million in new budget authority for Section 811 Mainstream Renewals in 2014. The Housing for Persons with Disabilities (Section 811) program provides vouchers for persons with disabilities to access affordable, private housing of their choice. Housing for Persons with Disabilities was originally authorized and funded under Section 811 of the Cranston-Gonzalez National Affordable Housing Act to provide eligible non-profit organizations with capital advances and rental assistance for persons with disabilities. The Housing for Persons with Disabilities Program is designed to meet the special physical needs of disabled individuals and to accommodate the provisions of supportive services.

The Frank Melville Supportive Housing Investment Act of 2010 (Public Law 111-374) was enacted into law on January 4, 2011. The Melville Act authorizes appropriations under the HCV program to convert the number of authorized mainstream vouchers in effect on the date of enactment to the HCV program. This funding is for the renewal of an estimated 14,184 mainstream vouchers under 8(o) in accordance with the Melville Act and the associated administrative fees.

This program expands a family's choices for housing, and does so in particular for a subset of the population with additional limitations on housing choices. Administering agencies are able to help persons with disabilities in locating and leverage other resources to make physical modifications to the rental units of their choice. These and other available services are combined with financial assistance for individuals whose disabilities make it difficult to find housing that meets their needs and limit their choice of community.

The program also provides individuals receiving rental assistance the opportunity to connect with other supportive services voluntarily. Administering agencies may connect with service providers, provide direct services, or simply enhance their existing housing search assistance to meet the needs of particular families. The Mainstream Vouchers program supports Strategic Plan Goal 2 (Meet the Need for Quality Affordable Rental Homes) by increasing access to housing for persons with disabilities and Strategic Plan Goal 3 (Utilize Housing as a Platform for Improving Quality of Life) by providing a mechanism through which administering agencies and their partners can address the particular challenges of persons with disabilities.

Salaries & Expenses (S&E) and Full-Time Equivalent (FTE) Request

Effective administration of the Housing Choice Voucher (HCV) program is dependent on the operating resources requested in the Salaries and Expenses Justification. For fiscal year 2014, \$62.93 million is requested to operate the HCV program. This is an increase of \$2.04 million from fiscal year 2012.

The Department requests funding for 461 FTE, which equates to \$60.45 million for HCV Personnel Services. This is a decrease of 4 FTE from fiscal year 2012. This decrease is due to a shifting of resources to focus on Presidential Initiatives such as the Rental

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Assistance Demonstration (RAD) that includes the option for PHAs to convert to a project-based voucher funding stream, thus remaining in the HCV account; and Choice Neighborhoods.

The Department requests \$2.48 million in Non-Personnel Services funding for travel, contracts, training and other related operating expenses associated with the HCV program, an increase of \$556 thousand from fiscal year 2012.

The HCV program staff workload is broken down into three major areas:

- (1) Oversight and monitoring 265 FTEs;
- (2) Program Administration 159 FTEs; and
- (3) Program Support 37 FTEs.

Approximately half of the HCV program staff is dedicated to the monitoring and oversight of the HCV program, ensuring good program management practices and optimum uses of funds. This staff is also responsible for on-site and remote reviews of financial and operational information and conducting quality assurance reviews. In addition, HUD field employees handle daily HCV customer-related inquiries from participants and owners 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 the approximately 2,300 PHAs. They respond to requests for technical assistance and are responsible for ensuring PHAs are administering the HCV program in accordance with federal law and program regulations. Staff must review annual audits and OIG audits of PHA operations, as well as PHA Annual Plans (and any interim changes to those plans); they are also 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 work 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 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 remainder of the staff works on either the Program Administration or the Program Support of the Housing Choice Voucher Program. The Program Administration is divided into two basic functions: financial management and program and policy development. The Financial management of the HCV program includes 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. Staff is also responsible for the commitment, obligation, and disbursement under cash management principles of more than \$19 billion in annual HCV funding to approximately 2,300 PHAs. Staff is responsible for developing good financial and risk management policies for PHAs, including the appropriate use and expenditure of reserve funds. The staff also determines the appropriate amount of the monthly

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disbursement of housing assistance 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.

Program and policy development covers a wide range of activities, including program analytic support and daily program operations. The staff ensures that the HUD 5-year Strategic Plan and annual goals for the HCV program aligns with policy development, planning activities, and performance metrics and milestones. 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. The staff also serves as the primary points of contact on a number of Federal inter-agency initiatives to leverage resources. For example, staff participates in 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 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.

Finally, the Program Support staff for the HCV program is a vital component of the organization. They provide support for all HCV staff and perform critical administrative functions that enable the staff to accomplish their work timely and effectively. The staff is responsible for making sure that the business processes are followed as it relates to tracking correspondence, maintaining files, scheduling meetings and processing FOIAs.

Key Partners and Stakeholders

Through the HCV program, HUD works with numerous partners and stakeholders in providing affordable housing assistance to families. In addition to the millions of families that HUD assists, important partners and stakeholders include:

- PHAs;
- Private owners;
- Other federal agencies including the Department of Veterans Affairs for the HUD-VASH program and the Department of Health and Human Services;
- State and local entities, such as Public Child Welfare Agencies;
- Housing Industry Associations; and
- Resident Groups.

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The primary HUD partner in the HCV program is the PHA that directly administers the program locally. 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;
- Determining the reasonableness of rents and developing utility allowance schedules;
- Entering into Housing Assistance Payments contracts with owners;
- Making monthly housing assistance payments; and
- Complying with fair housing and equal opportunity requirements, the PHA administrative plans, and federal, state, and local laws.

Approximately 700,000 private rental property owners are also critical program stakeholders. These participating HCV 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.

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In addition to PHAs and owners, Special Purpose Voucher programs, which include 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, for example, depends on interagency partnerships at both the national and local levels. At the national level, HUD works closely with a team of policymakers 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 collaborate 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 Medicaid-sponsored transitional programs in states without the MFP program) in order to take referrals and ensure the necessary supportive services are provided to transitioning families.

Finally, the families served by the program are the stakeholders who derive the greatest benefit from a well-administered, adequately funded program. Based on current tenant characteristics, 78 percent of families have extremely low-incomes (defined as household income at or below 30 percent of median income) and 19 percent have incomes between 31 and 50 percent of median income (the demographic table in Section 4 provides additional information about voucher program participants for calendar year 2012).

Moving-to-Work (MTW) Demonstration

Moving-to-Work (MTW) is a demonstration program that provides PHAs the opportunity to design and test innovative, locally designed strategies that use federal dollars more efficiently, help residents find employment and become self-sufficient, and increase housing choices for low-income families. MTW gives PHAs exemptions from many existing public housing and voucher rules and more flexibility with how they use their Federal funds. MTW PHAs are expected to use the opportunities presented by MTW to inform HUD about ways to better address local community needs.

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Section 204(a) of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 authorize the MTW program (Public Law 104-134) (MTW statute). The MTW statute provides that an agency participating in the MTW demonstration program may combine Public Housing Operating and Capital funds provided under Section 9 of the U.S. Housing Act of 1937 (the "1937 Act") and voucher program funds provided under Section 8 of the 1937 Act "to provide housing assistance for low-income families, as defined in section 3(b)(2) of the 1937 Act, and services to facilitate the transition to work on such terms and conditions as the agency may propose and the Secretary may approve." Currently, there are 35 PHAs classified as MTW agencies (with 4 additional agencies pending execution of MTW agreements).

The MTW language above is intended to allow for the use of appropriated funds beyond what is authorized by Sections 8 and 9 of the 1937 Act, provided that the MTW agency uses its combined funds to provide housing assistance for low-income families, as defined in section 3(b)(2) of the 1937 Act, and services to facilitate the transition to work, whether or not any such use is authorized by Sections 8 or 9 of the 1937 Act, and provided such uses are consistent with other requirements of the MTW statute and have been proposed in an agency's Annual MTW Plan and approved by HUD.

Several MTW agencies have used their ability to combine funds for both the development and rehabilitation of affordable units. In most instances, these MTW agencies have utilized their combined funds to address capital needs and thus extend the useful life of their Public Housing properties. Some have augmented Replacement Housing Factor Funds, Low-Income Housing Tax Credits and other funds to provide gap financing for mixed-finance developments.

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

The Housing Choice Voucher (HCV) program serves the most economically vulnerable families in the country, including disabled families, elderly families, formerly homeless veterans, and families with children. Over 2.2 million very low-income families are able to live in housing that is decent, safe, and sanitary because of the rental assistance that they receive through the HCV program. This program is critically important because without HCV rental assistance, these families may be forced to live on the streets or in dangerous, substandard housing.

Serve the poorest and most vulnerable Americans 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 whose incomes are below 30 percent of area median 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 Federal Strategic Plan to Prevent and End Homelessness, as well as the goal of ending veterans' homelessness over the next 5 years. Based on current tenant characteristics, 78 percent of assisted families have extremely low-incomes (defined as household income at

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or below 30 percent of median income) and 19 percent have incomes between 31 and 50 percent of median income. If the HCV program does not assist these families, they will be at great 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.

Addressing the Shortage of Quality Affordable Housing

The primary challenge that the HCV program seeks to address is the critical shortage of affordable rental housing in the United States. In doing so, the HCV program reduces the number of families and individuals with severe housing needs.

Several market forces make the HCV program a critical housing asset. The state of the economy and the increased demand for rental housing generated by the foreclosure crisis has exacerbated the need for rental assistance. The most recent PD&R report estimated there were nearly 8.5 million families with worst case housing needs in 2011 — an increase of about 1.4 million in only 2 years. A family is defined as having a “worst-case” housing need if it pays more than half of its income toward rent or lives in severely inadequate physical conditions, or both.³ At the same time, the freeze in the credit markets and the sharp reduction in 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). The economic recovery has partly stabilized this situation; however, higher than average unemployment and underemployment levels mean many families need housing assistance. 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.

Invest billions into the private rental market with immediate positive effects on 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. An 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

³ *Worst Case Housing Needs 2011: A Report to Congress--Summary* (2013). Department of Housing and Urban Development, Office of Policy Development and Research.

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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).

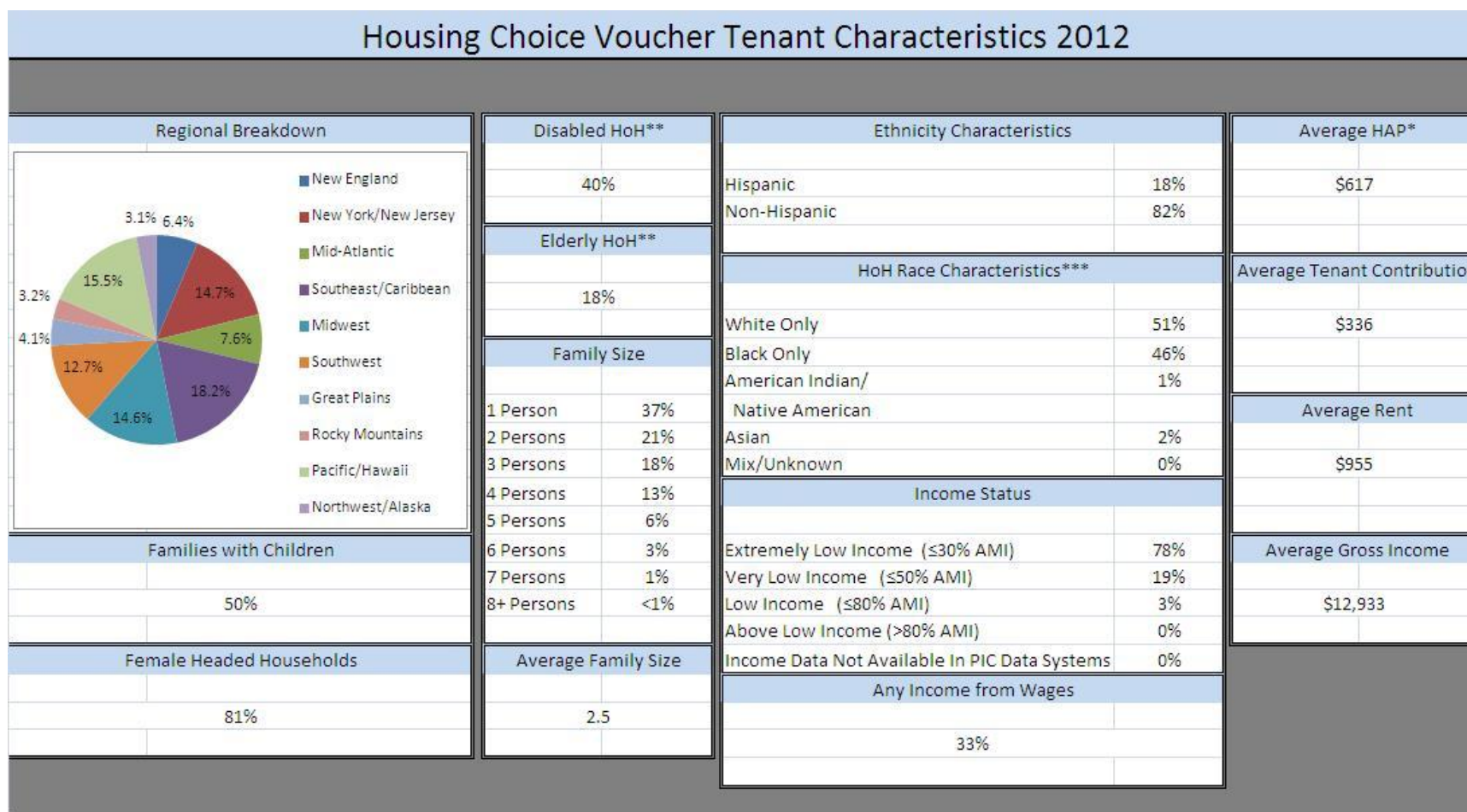
Expand housing choice for families to a broad range of communities

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.

4. How do 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 19 percent have an elderly head of household; and a little over 50 percent are families with children. As the demographic table below illustrates, 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 \$12,933. With the average monthly rent of \$955, 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 of homelessness without the program.

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The HCV program directly reduces worst case housing needs

In February 2013, HUD released a summary of its biennial Worst Case Housing Needs Report. HUD found that the number of very low-income renters facing severe housing problems continues to grow. In 2011, nearly 8.5 million households had worst case housing needs, up from 7.1 million in 2009. This represents a 19 percent increase since 2009 and 43 percent since 2007. Worst case needs are defined as renters with very low incomes (below half the median in their areas) who do not receive government housing assistance and who either paid more than their monthly incomes in rent, lived in substandard conditions, or both. Housing needs cut across all regions of the country and included all racial and ethnic groups, regardless of whether they lived in cities,

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suburbs, or rural areas. In addition, large numbers of worst case needs were also found across various household types including families with children, senior citizens, and persons with disabilities.

The rise in hardships among renters is due to substantial increases in rental housing demand and weakening incomes that increased competition for already-scarce affordable units. Increases in demand were so great that they overwhelmed increases in supply of units affordable at incomes below 50 percent of AMI. As a result, the gap between the number of affordable units that were available for very low-income renters and the number of renters who need these units not only failed to improve in percentage terms, but worsened in absolute terms. In particular, conversion of owner-occupied to rental units following foreclosure helped offset some of the sharp increase in rental demand. The stock of owner-occupied housing decreased by almost 760,000 units during 2009-2011 while the rental stock increased by 3.33 million units (8.4 percent). The 3.47 million new renter households absorbed all the net increase of rental units while also occupying 140,000 previously vacant units. Despite these substantial shifts in supply, the number of affordable and available rental units decreased to 65 units per 100 very low-income renters and 36 units per 100 extremely low-income renters.⁴

HUD makes a concerted effort to ensure that the program operates efficiently and effectively. 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, the Quality Assurance Division 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. Through systematic improvements like EIV, HUD has managed to reduce

⁴ *Worst Case Housing Needs 2011: A Report to Congress--Summary* (2013). Department of Housing and Urban Development, Office of Policy Development and Research.

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improper payments related to income reporting errors by 79 percent in the decade between fiscal years 2000 and 2010. HUD has also recognized decreases in the following areas in fiscal year 2011:

- Improper payments made on behalf of deceased beneficiaries by 63 percent;
- Program beneficiaries with invalid Social Security numbers by 41 percent; and
- Cases of tenant under-reporting of income by 26 percent.

Program Improvements

HUD monitors PHAs primarily by reviewing their leasing rate and spending of housing assistance payments throughout the year. An optimization tool developed by HUD is used to assist 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. The Department has several major ongoing initiatives currently under way to improve the HCV program that will continue in 2014:

Continue Implementation of Cash Management Procedures

In January 2012, HUD implemented new cash management procedures for the disbursement of 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. It is also one of the first steps toward an overall system migration and development of cash management policies and processes within the Next Generation Management System (NGMS).

The implementation of cash management is an integral part of the NGMS investment. NGMS will fundamentally improve the business performance of HUD's rental assistance programs over several years, through the implementation of a suite of robust technical tools designed to help HUD administer its rental assistance programs more efficiently, and bring the various work functions of these programs to modern standards, housed within a modern technical platform. The NGMS initiative has spawned a budget formulation and forecasting application that has improved the budgetary process and provided for more accurate budget forecasting. The focus of NGMS on the HCV financial line of business (both budget formulation and cash management) will provide improved oversight, monitoring and information sharing through improved data accessibility and integration, enhanced reporting at various levels of analysis, and increased efficiency and accountability in the budgeting and allocation of funds from HUD to PHAs. This TI/IT initiative

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will fundamentally improve the business performance of HUD's rental assistance programs over several years, through various reforms outside of financial management as well.

Next Generation Management System

The NGMS initiative is a departmentwide initiative designed to reengineer current business models, processes, and IT infrastructure and operations across HUD's Rental Housing Assistance (RHA) programs, which include programs from the offices of Public and Indian Housing (PIH), Multifamily Housing (MFH), and Community Planning and Development (CPD). NGMS is intended to be a suite of robust technical tools designed to help HUD administer its rental assistance programs more efficiently, and bring the various work functions of these programs to modern standards, housed within a modern technical platform. This TI/IT initiative will fundamentally improve the business performance of HUD's rental assistance programs over several years. With modules in areas such as HUD operations, grantee operations, financial management, and business support, HUD's RHA business will become more fully refined and up-to-date with modern IT platforms and data architecture. Although HUD staff have maintained the ability to oversee and monitor RHA programs, as well as respond to requests for information, these processes are often exceedingly manual and inflexible to the demands of a data-driven government. NGMS will afford HUD staff, and eventually our grantees and other stakeholders, the ability to view data and information in operational real-time and to seamlessly integrate information from disparate data sources. Additionally, the implementation of NGMS improvements will allow for the reduction of errors in information and more efficiently inhibit the waste, fraud, and abuse of federal dollars. With better tools and better information, HUD staff and HUD grantees can become even more effective stewards of federal dollars and of rental assistance programs on which approximately 4.6 million families rely.

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 operational costs. Results are anticipated to be published in 2014 and will include recommendations for a new funding formula.

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 non-metropolitan county or a metropolitan area, which is generally comprised of several metropolitan counties. The Small Area FMR Demonstration establishes FMRs by zip code areas for participating jurisdictions. 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 affect 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,

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and tenant data to determine the extent to which tenants are using the expanded set of payment standards to move into opportunity areas.

Cross-Program Improvement Initiatives

The Department's fiscal year 2014 Budget request comes at a time of tightly constrained resources. In light of this funding environment, Public Housing Agencies (PHAs) have requested that HUD provide relief from various requirements related to the operation of PIH programs as well as greater flexibility in the use of PIH resources. The Department has undertaken a comprehensive review and evaluation of these requests to identify items that merit implementation. Enactment and implementation of proposed measures will generate a cost savings to the Department; reduce the administrative burden on PHAs and provide them with flexibilities that will enhance their capacity to respond to local housing need; and/or promote program efficiencies at the PHA or HUD level. Several of the measures will also reward agencies that perform well.

Many of the items listed below were requested in HUD's fiscal year 2013 budget requests. Other items proposed in the Department's fiscal year 2014 Budget request represent new initiatives in response to industry requests. The Department will introduce comprehensive legislation to reform the Housing Choice Voucher program in the spring. Major proposals that will affect the voucher program and will be presented either as part of the 2014 Budget request or as part of that proposed legislation are highlighted below.

Proposals included in the 2014 Request

- Increase the threshold for deduction of medical and related care expenses. This provision would generate estimated savings of \$30 million in fiscal year 2014. The change would increase the threshold for the deduction of medical and related care expenses from 3 to 10 percent of family income. This provision was included in the Department's fiscal year 2013 budget request, and is repeated for 2014. The 2014 TBRA renewal funding request reflects the associated first-year savings of implementing this proposal based on analysis of the Congressional Budget Office's (CBO) estimates of cost savings generated by this proposal as included in previous proposed legislation.
- Define "extremely low-income" in a manner that rewards working poor families. This provision will generate estimated savings of \$155 million in fiscal year 2014. In its fiscal years 2012 and 2013 budget requests, the Department proposed to add a statutory definition of "extremely low-income" (ELI) to section 3 of the U.S. Housing Act of 1937 and to update program targeting requirements accordingly. The proposal is included as part of the Budget request, and was also included in the Affordable Housing and Self Sufficiency Improvement Act of 2012 (AHSSIA). The change would define the statutory definition of an "extremely low-income" family. The objective of the change is to increase access to HUD rental assistance for working poor families, in rural areas in particular. In such areas, median incomes are often so low that families with a full-time worker have incomes that exceed 30 percent of AMI, even though the families remain below the Federal poverty level.

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In the voucher program in particular, where 75 percent of vouchers issued each year must be targeted to ELI families, this change will enable more working poor families to qualify for voucher assistance.

- Authorize Consolidated Opportunities for Resident Enrichment (CORE) flexibility. In this tight economic environment, it is critical that 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 (HCV) 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 eventually become independent of Federal assistance, is to ensure that all public housing and Section 8 HCV 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 HCV families, HUD is requesting authority for Consolidated Opportunities for Resident Enrichment (CORE). A certain percentage, as determined by the Secretary, of the assistance received under each of the Operating Fund, Capital Fund, and Section 8 HCV administrative fees would be used for CORE resident supportive services, such as service coordination, case management, and administration of service programs. Under this proposal, PHAs would have the discretion on whether or not they choose to exercise CORE authorities.
- Improve the process for establishing Fair Market Rents. FMRs, which are based on rent survey data, are currently used for rent setting in both the voucher and project-based Section 8 programs. This proposal removes the statutory requirement that FMRs be published for comment in the *Federal Register*, making it possible for HUD instead to publish proposed FMRs to the Web along with any proposed material changes in methodology. A similar version of this language appeared in the Department's fiscal year 2012 budget request and in AHSSIA.
- Authorize biennial inspections for Housing Choice Voucher (HCV) units. Currently, HCV units must be inspected on an annual basis, regardless of whether such units have a record of regular compliance with HUD's physical condition standards. Both the Department's fiscal year 2013 budget request and AHSSIA would have authorized PHAs to inspect each unit biennially, reducing the administrative and financial burden on PHAs and high-performing landlords and enabling PHAs to concentrate their inspection resources on the more marginal and higher-risk units. Importantly, residents would retain their right to request an inspection. The provision would also offer PHAs the option of complying with the inspection requirement through use of an alternative inspection method, such as an inspection conducted pursuant to requirements under the Low Income Housing Tax Credit (LIHTC) or other Federal, State, or local housing assistance program. The fiscal year 2014 Budget request would also allow the Secretary to adjust the frequency of required inspections for mixed-finance properties assisted with project-based vouchers (PBVs) to facilitate the use of the alternative inspection methods.
- Reduce Utility Allowance payments to overhoused families. This change would provide that the utility allowance would be based on no more than the bedroom size that the family qualifies for under the PHA subsidy standards. This would harmonize the utility allowance standard with the payment standard rule in providing that the utility allowance for a family in

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an oversized unit would be the lower of the actual unit size or the bedroom size the family qualified for under the PHA subsidy standards. (Currently the PHA must use the appropriate utility allowance for the size of dwelling unit actually leased by the family (rather than the family unit size as determined under the PHA subsidy standards).)

The Administration plans to submit to Congress a comprehensive legislative package the Spring of 2013. The following are highlights of legislative proposals:

- Expand the Moving-to-Work (MTW) program. The legislative proposal will include a substantial expansion of the MTW program to high capacity PHAs. In partnership with HUD, participating PHAs will design and implement innovative policies related to housing preservation, family self-sufficiency, mobility, cost-effectiveness and other priority areas. Key tenant protections will continue to apply and PHAs will be subject to rigorous reporting and evaluation requirements.
- Authorize triennial re-certifications of fixed-income families. Under current law, PHAs and owners must recertify the incomes of all program participants on an annual basis. This proposal, similar to AHSSIA, would authorize PHAs and owners to recertify fixed-income families every 3 years. Eligible families would be defined as those for whom at least 90 percent of income is from sources such as Social Security; Federal, state, local, and private pension plans; and the supplemental security income program (these families are estimated to be about 50 percent of public housing, voucher, and project-based section 8 tenants). If implemented, this policy change would reduce the administrative burden on PHAs and owners.
- Replace PHA Annual Plans. For fiscal year 2014, the Department proposes to eliminate the requirement that PHAs complete and submit PHA Annual Plans. This would reduce the burden on PHAs, while replacing it with meaningful planning processes for resident feedback, including the requirement that PHAs hold meetings with residents and the public related to significant changes to PHA policies and proposals of major activities, such as the demolition or disposition of public housing. This would be consistent with the enactment of Housing and Economic Recovery Act of 2007 (HERA), where the majority of PHAs are exempted from the annual plan requirement and in its place, are required to hold an annual hearing.
- Improve the Project-Based Voucher (PBV) program. There will be a number of improvements to the PBV program included in the legislative proposal. Changes to the program would help simplify administration and increase flexibility to maximize PHA participation in the PBV program, and leverage the program model to address vulnerable populations, such as homeless families or veterans.
- Authorize limited sponsor-basing of voucher assistance. 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. A proposal to permit voucher agencies to sponsor-base up to 5 percent of their eligible voucher units to serve homeless families was included in the Department's fiscal year 2013 Budget. The 2014 legislative proposal will include a similar model to achieve the same goals, but modified to strengthen tenant protections.

Tenant-Based Rental Assistance

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

<u>Budget Activity</u>	<u>2012 Budget Authority</u>	<u>2011 Carryover Into 2012</u>	<u>2012 Total Resources</u>	<u>2012 Obligations</u>	<u>2013 Annualized CR</u>	<u>2012 Carryover Into 2013</u>	<u>2013 Total Resources</u>	<u>2014 Request</u>
Contract Renewals	\$16,484,890	\$7,149	\$16,492,039	\$16,487,686	\$17,324,761	\$4,353	\$17,329,114	\$17,968,278
Administrative Fees ...	1,457,461	126,612	1,584,073	1,489,857	1,356,895	94,216	1,451,111	1,685,374
Section 8 Rental Assistance	75,000	60,446	135,446	117,333	75,459	18,113	93,572	150,000
FSS Coordinators	60,000	2,552	62,552	60,958	60,367	1,594	61,961	[75,000]
Veterans Affairs Supportive Housing (VASH) Program	75,000	2,918	77,918	77,577	75,459	341	75,800	75,000
Family Unification Program .....	...	93	93	93	...	...	...	...
Disaster Displacement Assistance .....	...	1,729	1,729	...	...	1,729	1,729	...
Disaster Housing Assistance Program for Hurricanes Ike and Gustav .....	...	...	...	...	...	...	...	...
Section 811 Mainstream Renewals	112,018	3,891	115,909	82,550	112,704	33,359	146,063	110,564
Transformation Initiative (transfer) .....	...	...	...	...	...	...	...	...
Non-Elderly Disabled ..	...	4	4	...	...	4	4	...
Total	18,264,369	205,394	18,469,763	18,316,054	19,005,645	153,709	19,159,354	19,989,216

**PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Appropriations Language**

Below is the italicized appropriations language for the Tenant-Based Rental Assistance account.

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, \$15,989,216,000, to remain available until expended, shall be available on October 1, 2013 (in addition to the \$4,000,000,000 previously appropriated under this heading that became available on October 1, 2013), and \$4,000,000,000, to remain available until expended, shall be available on October 1, 2014: Provided, That amounts made available under this heading are provided as follows:

(1) \$17,968,278,000 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 2014 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: Provided further, That in determining calendar year 2014 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 targeting, medical expense thresholds, and utility allowances, to public housing agencies' contract renewal needs: Provided further, 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: Provided further, 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 by the latter of 60 days after enactment of this Act or March 1, 2014: Provided further, That the Secretary may extend the notification period, with notification to the House and Senate Committees on Appropriations: Provided further, That public housing agencies participating in the MTW demonstration shall be funded pursuant to their 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 2014 allocations by the excess amount of agencies' reserves as established by the Secretary: Provided further, That public housing agencies participating in the MTW demonstration shall also be subject to the offset, as determined by the Secretary,

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from the agencies' calendar year 2014 MTW funding allocation: Provided further, That the Secretary shall use any offset referred to in the previous two provisos throughout the calendar year to prevent the termination of rental assistance for families as the result of insufficient funding, as determined by the Secretary, and to avoid or reduce the proration of renewal funding allocations: Provided further, That up to \$50,000,000 shall be available only: (1) for adjustments 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 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; (4) for 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; and (5) for public housing agencies that despite taking reasonable cost savings measures, as determined by the Secretary, would otherwise be required to terminate rental assistance for families as the result of insufficient funding;

(2) \$150,000,000 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, for the purposes under this paragraph, may use unobligated balances, including recaptures and carryovers, remaining from amounts appropriated in prior fiscal years under this heading for voucher assistance for nonelderly disabled families and for disaster assistance made available under Public Law 110–329;

(3) \$1,685,374,000 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 \$1,635,374,000 of the amount provided in this paragraph shall be

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allocated to public housing agencies for the calendar year 2014 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) \$110,564,000 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;

(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

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(6) The Secretary shall separately track all special purpose vouchers funded under this heading.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.