PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
2015 Summary Statement and Initiatives
(Dollars in Thousands)

TENANT-BASED RENTAL ASSISTANCE	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2013 Appropriation	$18,939,369	$158,137[a]	-$975,528	$18,121,978	$17,897,161	$18,022,012
2014 Appropriation/Request	19,177,218	224,817	...	19,402,035[b]	19,402,035	19,014,000
2015 Request	20,045,000[c]	...	...	20,045,000	20,045,000	19,963,000
Program Improvements/Offsets	+867,782	-224,817	...	+642,965	+642,965	+949,000

a/ Includes $4.4 million in recaptured funds.

b/ Total resources and obligations for fiscal year 2014 exclude an estimated $528 thousand transferred from the Public Housing Operating Fund and Capital Fund for the purpose of Rental Assistance Demonstration (RAD) conversions.

c/ Total resources and obligations for fiscal year 2015 exclude an estimated $70 million transferred from the Public Housing Operating Fund and Capital Fund for the purpose of Rental Assistance Demonstration (RAD) conversions. This number also includes an estimated Transformation Initiative (TI) transfer that may be up to 0.5 percent or $15 million, whichever is less, of Budget Authority.

1. What is this request?

The Department requests $20.045 billion for the Section 8 Housing Choice Voucher (HCV) program for fiscal year 2015, which is an increase of $868 million from the fiscal year 2014 enacted level. This funding will provide 2.2 million very low-income families with decent, safe, and sanitary housing while supporting the approximately 700,000 landlords and property owners who participate in the HCV 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.

The fiscal year 2015 request includes funding for the following activities:

1. $18.007 billion for contract renewals, which is an increase of $641 million from the 2014 enacted level (adjusted for anticipated savings of $235 million) would:
    - stem the rise in worst case housing needs, which increased by 43.5 percent between 2007 and 2011, to an all-time high of 8.475 million households[1];
    - ensure uninterrupted assistance to families with units under lease during calendar year 2014 and restore the 2013 sequestration funding cuts;

- provide funding to renew vouchers first leased in 2014; and
- account for increases in rental assistance costs due to inflation and changes in tenant income.

2. $1.705 billion in administrative fees (a figure representing an approximate fee eligibility proration of 83.4 percent and a $205 million increase from the 2014 enacted level) will:
    - allow Public Housing Agencies (PHAs) to continue effective and efficient administration of the HCV program;
    - cover administrative costs associated with on-going operations and new vouchers requested in 2015; and
    - mitigate impact and prevent lasting effects of several years of cuts, which have led a number of PHAs to stop administering the HCV program and/or refuse an allocation of VASH vouchers.

3. $150 million for Tenant Protection Vouchers (TPV), an increase of $20 million from the 2014 enacted level, will:
    - protect families living in 22,500 multifamily housing units whose owners are either prepaying or opting out of the program;
    - cover 400 vouchers for families residing in Multifamily Housing Projects awarded funding under the Choice Neighborhood program;
    - prevent displacement of residents in about 7,000 public housing units slated for revitalization under Choice Neighborhoods or for removal from the inventory due to demolition or disposition; and
    - support the Department's efforts to transition public housing to a Section 8 platform by repositioning public housing and HUD's legacy programs (Mod Rehab, Rent Supplemental and Rental Assistance Program (RAP) units) through a combination of RAD and TPVs.

4. $75 million will fund housing for veterans through the HUD-Veterans Affairs Supportive Housing (VASH) Program, equal to the fiscal year 2014 enacted level.

5. $108 million in contracts and administrative fees originally funded under the Section 811 Tenant-Based program. This is an increase of $1.7 million from the 2014 enacted level.

---

[1] "*Worst Case Housing Needs 2011: Report to Congress*," U.S. Department of Housing and Urban Development (August 2013); Available at: http://www.huduser.org/portal/publications/affhsg/wc_HsgNeeds11_report.html

Tenant-Based Rental Assistance

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 2015, $70.0 million is requested to operate this program account, an increase of $4.3 million. The following is a breakout of Salaries and Expenses for HCV:

- Personnel Services – $63.1 million.
- Non-Personnel Services – $6.9 million.
- FTE – 467

PIH has 12 functional areas to which employees devote their time. The primary functions to which PIH employees report in support of the HCV program include but are not limited to TBRA Operations and Monitoring; Resource Formulation, Allocation and Financial Management; Financial & Physical Program Integrity; and Strategic Planning and Risk Management.

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;
- Maximizing the federal investment and 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.

Legislative Proposal Summaries

In appropriations language and general provisions:

- Revise the Threshold for Deduction of Medical and Related Care Expenses (associated savings estimated at $30 million);
- Improve the Process for Establishing Fair Market Rents;
- Authorize Indian tribes and tribally designated housing entities (TDHEs) to administer HUD-VASH assistance;
- Ensure that the allocation of TPVs for housing conversions do not result in a net gain of affordable housing resources for a community that go beyond replacing vouchers for the loss of affordable units; and
- Allow transfers of TPV funding to augment, only as necessary, recaptures and other funds from the Other Assisted Housing account to convert Rent Supplemental/RAP units to PBRA for preservation under RAD.

To be submitted as a part of the Spring 2014 legislative package:

- Expand the Moving to Work program to high capacity PHAs;
- Improve the Project-Based Voucher program; and
- Authorize triennial income recertification for households with fixed incomes.

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 provides rental assistance to 2.2 million families. The 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, 79 percent are extremely low–income, with incomes at or below 30 percent of the area median income, 42 percent have a disabled head of household, and 20 percent are elderly.

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 unit and the amount subsidized by the program. The family must pay a minimum of 30 percent of its 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 and 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 contribution and the unit rent, and administrative fees paid to PHAs to cover the cost of administering the program.

<u>Contract Renewals</u>

For calendar year 2015 contract renewals, the Department requests $18.007 billion. Contract renewals provide funding to renew expiring HCV program Housing Assistance Payments (HAP) funding increments on a calendar-year basis (an additional $108 million in separate 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).

Tenant-Based Rental Assistance

As in previous years, the proposed renewal funding formula 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 2013 and 2014 budget requests, the funding baseline is adjusted to reflect anticipated cost changes due to inflation by using a time series model developed by HUD's Office of Policy, Development, and Research (PD&R). First-time renewals are also adjusted by the PD&R inflation factor. As noted earlier, the renewal funding is being further adjusted to reflect the anticipated savings resulting in 2015 from the implementation of cost-saving proposal on the change in the medical expense exclusion threshold from 3 to 10 percent, and also the income targeting change and the adjustment to the utility allowances that were enacted as part of the fiscal year 2014 Consolidated Appropriations Act. The anticipated total savings in 2015 are estimated at $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[2]. 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 first full year following implementation.

Additionally, HUD anticipates that most tenant protection vouchers leased in 2014 will be funded only through the end of the calendar year (instead of the typical 12 months from the date of issuance) in order to meet the anticipated need with the funding available. The Department has included the full cost (12 months) of Housing Assistance Payment (HAP) funding for these vouchers in 2015.

The Department's request includes up to $75 million in set-aside funding within the contract renewals allocation to make adjustments to renewal allocations to protect against potential cost increases that would not be reflected in the renewal formula. Proposed eligible uses for this set-aside are as follows:

1. Adjustments for 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 U.S. Housing Act of 1937 (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

[2] 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.

5. Adjustments 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.

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. In making set-aside determinations, the Department may take both need and PHA reserve levels into account.

The Department requests continued authority to offset and reallocate PHAs' contract renewal allocations by the excess amount of agencies' reserves as established by the Secretary. This offset and reallocation authority was first provided in the fiscal year 2014 Consolidated Appropriations Act. Including it again in 2015, and expanding it to include MTW agencies, 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 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 to mitigate or eliminate any downward proration of renewal funding.

The Department continues its Rental Assistance Demonstration (RAD) to test new preservation tools for the HUD-assisted housing stock. It 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 2015 Operating Fund and Capital Fund appropriations to the Tenant-Based Rental Assistance (TBRA) or Project-Based Rental Assistance (PBRA) accounts to fund renewal costs for public housing, Mod Rehab, Rent Supplemental and RAP units converting under RAD in calendar year 2014.

Administrative Fees

In fiscal year 2015, the Department requests $1.705 billion for administrative fees.[3] 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.

[3] The administrative fee request includes fees for those Rental Assistance Demonstration/Public Housing Conversion vouchers that are renewing for the first time in 2015. While the HAP renewal needs will be transferred from Section 9 fees, the administering PHAs will also require Administrative Fees for these units.

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. Administrative fees are set by the statutory formula found in Section (q) (pre-QHWRA) and are only earned when vouchers are leased. The Budget request seeks administrative fee funding at an 83.4 percent proration level of fee eligibility to ensure PHAs have the necessary resources to carry out their responsibilities under the program. The proration is the percentage of the fee that can be paid to the PHA in order not to exceed the funding amount appropriated. This level of proration (83.4 percent) is an increase compared with the proration of 75 percent in 2014 enacted.

The Department is extremely concerned that the significant administrative fee proration in 2014, following the historically low funding prorations in 2011, 2012, and 2013 have 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 changes in program policies, goals, and requirements that consider 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 time measurement and other data collection activities took place at approximately 60 high performing PHAs over the course of calendar year 2013 and the early part of 2014, with a final report due late 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 enhanced financial management and significantly simplifying PHA reporting.

Section 8 Rental Assistance (Tenant Protection Vouchers)

The Department requests $150 million for Tenant Protection Vouchers (TPVs) in 2015. This funding level takes into consideration the need for the Department to operate within fiscal constraints, while balancing its commitment to make progress on key initiatives. This request is necessary to protect HUD-assisted families from the risk of displacement through no fault of their own when:

- public and assisted housing may be subject to demolition and disposition (including HOPE VI);

- voluntary and mandatory conversions of public housing units, including moving to a Section 8 platform;
- Multifamily unit owners prepay preservation-eligible mortgages or do not renew expiring Section 8 contracts;
- property owners face foreclosure or HUD takes enforcement actions against owners that fail to maintain their properties in safe and sanitary conditions; and
- HUD and partners renew properties and neighborhoods under the Choice Neighborhoods Program.

Actions requiring TPVs 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; 14,430 in 2011; 16,661 in 2012; and 19,254 in 2013). HUD estimates that in FY 2015 approximately 22,500 vouchers will be needed for tenant protection actions in HUD's Office of Multifamily Housing's portfolio, 400 vouchers will be needed for families residing in Multifamily projects that are assisted under the Choice Neighborhoods Program, and approximately 7,000 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 an increase in eligible prepayments in 2015. Since the cost to fully fund 29,900 vouchers exceeds $150 million, HUD plans to optimize the $150 million by funding TPVs only through the balance of 2015 (rather than for a full 12-month period) and to then request the full amount needed for renewal in 2016.

In addition, TPVs will support the Department's efforts to transition public housing and HUD legacy programs (e.g, Rent Supp/RAP) to a Section 8 platform by repositioning these properties through a combination of RAD and TPVs. In support of RAD, the RAD and Special Applications Center (SAC) teams have worked together to integrate Section 18 Demo/Dispo actions and RAD conversions of assistance in several instances wherein a reasonable number of TPVs have been/are being blended with current allocations of public housing funding under RAD. New authority is also requested to allow TPV funding to augment, only as necessary, the unobligated and recaptured amounts under Other Assisted Housing to convert Rent Supp/RAP units to PBRA for preservation purposes under RAD.

Failure to adequately fund the TPV 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 2014, as it may be an early indicator of the level of demand that can be expected in 2015.

<u>HUD-VASH</u>

The Department requests $75 million in fiscal year 2015 for the HUD-Veterans Affairs Supportive Housing (HUD-VASH) program. Funding at the level requested would enable HUD and the VA to serve an additional 10,000 homeless veterans. As of September

2013, more than 62,000 Veterans have been housed with a HUD-VASH voucher. HUD awarded almost $425 million for HUD-VASH in fiscal years 2008 through 2013. In fiscal year 2014, HUD will award another $75 million for HUD-VASH.

According to the 2012 Annual Homeless Assessment Report (AHAR) released in November 2012, *homelessness among Veterans declined by over 17 percent between January 2009 and January 2012*. This 17 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 2015 is needed to end homelessness among veterans by 2015. 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, 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 program is a key component in the Federal Strategic Plan to Prevent and End Homelessness (FSP).

For fiscal year 2015, HUD is proposing a legislative amendment to allow high capacity Indian tribes and tribally designated housing entities (TDHEs) to administer HUD-VASH assistance. Native Americans are overrepresented among homeless Veterans. According to the *2010 Annual Homeless Assessment Report*, Native Americans represent 0.7 percent of the total population of Veterans but represent 2.5 percent of Veterans experiencing homelessness. While Native American veterans are eligible to receive HUD VASH, this population has difficulty accessing HUD-VASH vouchers because tribes and TDHEs are prohibited from receiving Section 8 assistance under the Native American Housing Assistance and Self-Determination Act of 1996. Under this proposal, the Secretary would be authorized to make funds available to tribes and TDHEs to administer Section 8 housing choice voucher assistance under the HUD-VASH program to assist homeless Native American veterans who wish to reside on a reservation or in other Indian areas.

Section 811 Mainstream Renewals

In 2015, the Department requests $108 million for renewals of vouchers originally appropriated under the Section 811 Mainstream Program. The Housing for Persons with Disabilities (Section 811) program provides tenant-based assistance 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 leveraging 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.

Key Partners and Stakeholders

HUD works with numerous partners and stakeholders in providing HCV 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.

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.

<u>Federal, State, and Local Partners</u>

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 continues to collaborate with the Administration for Children and Families within the Department of Health and Human Services (HHS) 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 18 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 2013).

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 required to use the opportunities presented by MTW to inform HUD about ways to better address local community needs.

Section 204(a) of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 authorized 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 37 PHAs classified as MTW agencies (with 2 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. Approximately 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 would be forced to live on the streets or in dangerous, substandard housing.

<u>Serve the poorest and most vulnerable Americans with severe housing needs</u>

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 veterans, chronic and family homelessness under the President's Federal Strategic Plan to Prevent and End 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, 49 percent have a disabled head of household, and 21 percent are elderly. 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 federal, state, and local agencies to assist these vulnerable populations.

Addressing the Shortage of Affordable Rental 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 43.5 percent since 2007. A family is defined as having a "worst-case" housing need if it is a very low-income family who pays more than half of its income toward rent or lives in severely inadequate physical conditions, or both.[4] 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 support the operations of rental property owners, both large and small, across the country. Reliable housing assistance payments help property owners service their mortgage loans, satisfy local tax obligations, pay utility expenses, and maintain properties in good physical condition. Stable rental income took on heightened importance in the wake of the recession and foreclosure crisis. An analysis of participating owners found that the HCV program supports roughly 700,000 property owners nationally, including more than 500,000 owners (70 percent) providing housing for only one voucher household. More than 45 percent of voucher-assisted housing is provided by owners with fewer than 5 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 5 vouchers live in single-family homes (detached and attached).

[4] "*Worst Case Housing Needs 2011: Report to Congress*," U.S. Department of Housing and Urban Development (August 2013); Available at: http://www.huduser.org/portal/publications/affhsg/wc_HsgNeeds11_report.html

Expand housing choice for families to a broad range of communities

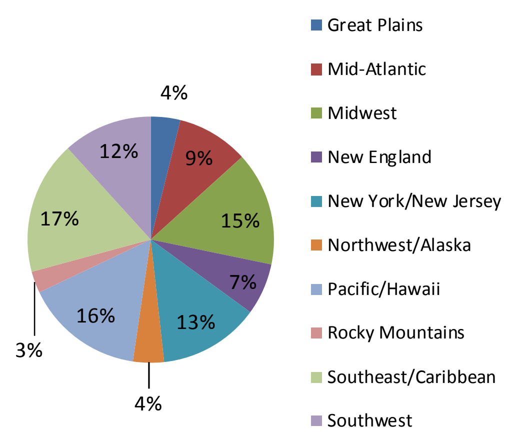
The HCV program allows voucher holders to select their own rental units, thereby expanding families' choice of affordable rental homes to a broad range of communities. As such, the HCV program provides individuals and families with opportunities to reside in mixed-income communities and lower poverty 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 49 percent of these families have a disabled head of household and almost 21 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 $13,116. With the average monthly rent of $971, 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 would have worst-case housing needs and would be at risk of homelessness without the program. Applying the prevalent rates for worst case needs among unassisted renters (for both the extremely low-income and very low-income, 31-50 percent of median categories) to the characteristics of current voucher holders, means an estimated 1.46 million of the 2.2 million households would likely experience worst case needs if they did not receive housing assistance.

Housing Choice Voucher Tenant Characteristics 2013

Regional Breakdown



Families with Children
50%

Female Headed Households
82%

Disabled HoH***
49%

Elderly HoH***
21%

Family Size	
1 Person	38%
2 Persons	22%
3 Persons	17%
4 Persons	12%
5 Persons	6%
6 Persons	3%
7 Persons	1%
8+ Persons	1%

Average Family Size
2.4

Ethnicity Characteristics	
Hispanic	15%
Non-Hispanic	85%

HoH Race Characteristics***	
White Only	49%
Black Only	46%
American Indian / Native American	1%
Asian	2%
Mix/Unknown	2%

Income Status****	
Extremely Low Income (≤30% AMI)	78%
Very Low Income (≤50% AMI)	18%
Low Income (≤80% AMI)	3%
Above Low Income (>80% AMI)	1%
Income Data Not Available In PIC Data Systems	0%

Any Income from Wages**
34%

Average HAP*
$647

Average Tenant Contribution
$231

Average Rent
$971

Average Gross Income
$13,116

<u>The HCV program directly reduces worst case housing needs</u>

The most recently available report on worst case housing needs found there were nearly 8.5 million households facing severe housing problems (paying over half their income for rent or living in severely inadequate conditions). This was an increase of 43.5 percent since 2007 - by far the largest increase since the statistic started being tracked in the 1970s. Housing needs cut across all regions of the country and included all racial and ethnic groups, regardless of whether they lived in cities, 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.

Program Improvements

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

- Improper payments made on behalf of deceased beneficiaries have reduced by 63 percent; and
- Cases of tenant under-reporting of income have reduced by 26 percent.

There are multiple and complex reasons why there may be discrepancies with tenant household Social Security Numbers (SSNs). However, approximately 99 percent of household SNNs sent to the Social Security Administration (SSA) for "matching" have no discrepancies. As a further sign of progress, HUD has reduced the 1 percent of household SSNs with discrepancies by 41 percent.

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.

Through the combined efforts of HUD staff and our PHA stakeholders, the HCV program has been very successful in improving leasing optimization and preventing terminations. For example, despite the deep funding cuts in 2013, no families were terminated from the HCV program as a result of insufficient funding due to the efforts of HUD's Shortfall Prevention Team and the PHAs. There is no doubt that the improvements HUD has made over the past few years in terms of both HUD's and the PHAs ability to track and project leasing and costs through the Calendar Year was of immeasurable value during that extremely challenging year.

The Department has several major ongoing initiatives currently under way to improve the HCV program that will continue in 2015:

<u>HUD Oversight, Monitoring, and Risk Assessment of PHAs</u>

Along with the development of the SPT initiative, HUD's Quality Assurance Division's (QAD) Financial Management Team (FMT) was created in 2012. Beginning in 2012, QAD developed and implemented protocols for conducting on-site and remote Financial Management Reviews of PHAs' HCV financial operations. The objective of a full Financial Management Review is to determine and examine assets and cash balances. Further, the FMR is used to determine if appropriated funds are being utilized for the intended purposes of: 1) determining root causes for negative UNA balances; 2) conducting analyses of out-standing inter-program transfers; 3) identifying weaknesses; and 3) identifying and ensuring corrective action for recording and reporting anomalies. Reviews normally result in identification of significant funds owed back to the HCV program. In fiscal year 2013, 43 on-site and 104 remote Financial Management Reviews were completed and corrective actions are underway for approximately $37.9 million in negative NRA and UNA balances and approximately $57 million in financial management material weaknesses. In 2013, QAD also completed the Ability to Repay Assessments (ATRA). The primary purpose of an ATRA is to provide the Field Offices with financial information that either supports or refutes the PHAs ability to repay amounts owed to the HCV program under the PHAs proposed repayment agreement.

In fiscal year 2013, PIH developed and piloted a comprehensive National Risk Assessment to proactively identify and address risk at PHAs, before performance issues emerge. PIH's oversight strategy prioritizes PHAs nationally based on risk with an emphasis on more recent data and historic trends. Using quantitative and qualitative analysis to determine financial, physical, governance, and management risk in both public housing and HCV programs, PIH develops mitigation strategies to address risk at PHAs with very high, high and moderate risk based on available resources. The tool is fully operational in fiscal year 2014 and will continue to measure risk at PHAs and prioritize oversight in fiscal year 2015 and beyond.

The HCV program is covered extensively under this strategy and assessment tool. Field Offices focus on individual PHAs with the greatest risk using both on-site and remote monitoring tools. In addition, HUD is making increased use of real-time PHA-submitted data to flag earlier financial issues on utilization performance. The consequences of lower administrative fee funding of PHAs are resulting in increased instances of warning flags to which Field Office staff, the Financial Management Center and QAD are coordinating responses to either prevent or mitigate problems.

HUD Quality Control on PHA inspections and Inspection Standards for HCV

HUD is taking a number of definitive steps to enhance the quality control of HCV inspections. The HQS inspection format is being changed to one that closely resembles that used on all of the properties inspected by HUD's Real Estate Assessment Center – the UPCS. This will allow for much more uniform standards for the entire HUD portfolio going forward. The time and cost for PHAs will not change appreciably and HUD will collect the inspection results for quality control and regulatory oversight. The new standard will be called UPCS (V) and testing is planned to be conducted in fiscal year 2014 with implementation scheduled for fiscal year 2015. As authorized in fiscal year 2014, HUD will also move to the biennial inspection of HCV units, as warranted based on owner compliance with unit quality requirements. Finally, as part of the Administration's rental assistance alignment initiative, HUD will tailor the inspection frequency of units assisted with project-based vouchers to align with inspections conducted under other federal programs (under which such properties may also be assisted), reducing the burden on owners of such properties.

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. 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. 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 analyses, and increased efficiency and accountability in the budgeting and allocation of funds from HUD to PHAs. This TI/IT initiative will fundamentally improve the business performance of HUD's rental assistance programs over several years, through various reforms in addition to financial management.

Next Generation Management System

The Next Generation Management System (NGMS) is a business-driven investment whose aim is to enhance HUD's affordable housing (AH) program management, improve end user satisfaction, streamline complex business processes, and integrate disparate Information Technology (IT) systems into a common, modernized platform. These goals will help improve the agency's ability to accurately quantify budgetary data resources, measure program effectiveness, and scrupulously justify the agency s budget formulations and requests. By aligning current and future AH processes, HUD aims to simplify business operations and maximize investment returns with business-driven, service-oriented solutions that employ shared and standardized technology. NGMS will provide an integrated, seamless and singular view of financial and program data used to make real-time business decisions, but are currently warehoused in disparate data sources. The modernization of affordable housing program data through NGMS will provide HUD executives, Congressional authorizers and appropriators, OMB, public housing agencies, and other stakeholders an enhanced view of HUD s financial accountability. With NGMS' accurate financial data and automated processes, HUD personnel will be able to reduce improper payment errors by identifying operating costs, reserves, and subsidy payment anomalies. Once implemented, NGMS will provide staff with a new set of monitoring, oversight and analysis tools to ensure that allocated federal funds are used efficiently to assist affordable housing participants.

NGMS will build project modules across four dimensions: (1) HUD Operations - creating a single point of access to data and key information to reduce HUD s administrative burden; (2) Financial management - developing an automated and more accurate process of budget formulation based on real-time data to reduce errors in budget forecasting; (3) Partner Operations - providing HUD partners with a single point of access to data that will allow them to better serve their customers and operate more efficiently; and (4) Business support - expanding the access and use of the NGMS IT advancements to the HUD enterprise level.

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 late in 2014 and may 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, and tenant data to determine the extent to which tenants are using the expanded set of payment standards to move into opportunity areas.

5. Legislative/Regulatory Proposals

Cross-Program Improvement Initiatives

The Department's fiscal year 2015 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 needs; and/or promote program efficiencies at the PHA or HUD level. Several of the measures will also reward agencies that perform well.

Proposals included in the 2015 Request

- Revise the Threshold for Deduction of Medical and Related Care Expenses (associated savings estimated at $30 million). This provision would generate estimated savings of $30 million in fiscal year 2015. 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 2014 budget request, and is repeated for 2015. The 2015 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.

- 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 2015 budget request and in Affordable Housing and Self-Sufficiency Act (AHSSIA).
- Authorize Indian tribes and tribally designated housing entities (TDHEs) to administer HUD-VASH assistance. Native Americans are overrepresented among homeless Veterans. According to the 2010 Annual Homeless Assessment Report, Native Americans represent 0.7 percent of the total population of Veterans but represents 2.5 percent of Veterans experiencing homelessness. While Native American veterans are eligible to receive HUD-VASH, this population has difficulty accessing HUD-VASH vouchers in Indian areas because tribes and TDHEs are prohibited from receiving Section 8 assistance under the Native American Housing Assistance and Self-Determination Act of 1996. For fiscal year 2015, HUD proposes facilitating increased provision of HUD-VASH assistance in Indian areas.
- Propose to stop reissuing TPVs if they are not replacing the loss of affordable units in a community. Vouchers allocated to PHAs for tenant protection activities become part of the administering PHA's voucher program, and those vouchers can be used to assist needy families off the PHA's waiting list upon turnover. In addition, the law provides that HUD may also provide

replacement vouchers for unoccupied units that as a result of the conversion action cease to be available of assisted housing, provided that they were occupied within the previous 24 months (and assuming there are adequate funds appropriated to do so). However, in the case of the Choice Neighborhoods Initiative, certain public housing demolition and disposition actions, and the new Section 8(bb) transfer proposal, the allocation of tenant protection vouchers will often result in a significant net gain of affordable housing resources for the community.

The Administration believes that tenant protection vouchers that are not replacement vouchers (vouchers that are replacing the loss of affordable units in the community) should be used as they were intende--a temporary resource that is made available only to assist only the individual family impacted by the conversion action while the property is redeveloped or the project-based assistance is transferred to a new property. Also, they would continue to assist those relatively few families who have decided not to return when the redevelopment or transfer is complete. Once that family leaves the HCV program for any reason, the voucher may not be reissued to another family. The number of vouchers authorized under the PHA's Consolidated Annual Contributions Contract will subsequently be reduced to reflect that the family has left the program. Tenant protection vouchers that are replacement vouchers (vouchers replacing the loss of affordable housing units under the covered conversion actions) may continue to be used to assist other families after the initial family has left the program.

- Allow transfers of TPV funding to augment, only as necessary, recaptures and other funds from the Other Assisted Housing account to convert Rent Supplemental/RAP units to PBRA for preservation under RAD. The Department is proposing to offer owners under the 2nd component of RAD the ability to convert to Project Based Rental Assistance (PBRA) contracts. Currently, such owners (of Rent Supplement [Rent Supp], Rental Assistance Payment [RAP], and Section 8 Moderate Rehabilitation [Mod Rehab]) are able to convert the Tenant Protection Voucher assistance that is triggered at contract expiration or termination to Project Based Voucher (PBV) assistance. This proposal allows the option to convert to PBRA, using recaptures and other funds from the Other Assisted Housing account under the Office of Housing, and, as necessary, the TPV funding that would have been triggered at contract termination or expiration.

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

Budget Activity	2013 Budget Authority	2012 Carryover Into 2013	2013 Total Resources	2013 Obligations	2014 Budget Authority/ Request	2013 Carryover Into 2014	2014 Total Resources	2015 Request
Contract Renewals	$16,349,365	$4,488	$16,353,853	$16,247,475	$17,365,527	$106,378	$17,471,905	$18,006,550
Administrative Fees ...	1,305,528	94,228	1,399,756	1,383,504	1,500,000	16,252	1,516,252	1,705,000
Section 8 Rental Assistance	71,077	19,095	90,172	84,072	130,000	6,100	136,100	150,000
FSS Coordinators	56,862	4,472	61,334	4,161	...	57,173	57,173	...
Veterans Affairs Supportive Housing (VASH) Program	74,850	762	75,612	68,060	75,000	7,552	82,552	75,000
Family Unification Program	...	...	...	...	...	...	...	...
Disaster Displacement Assistance	...	1,729	1,729	...	...	1,729	1,729	...
Disaster Housing Assistance Program for Hurricanes Ike and Gustav	...	...	...	...	...	...	...	...
Section 811 Mainstream Renewals	106,159	33,359	139,518	109,889	106,691	29,629	136,320	108,450
Non-Elderly Disabled ..	...	4	4	...	...	4	4	...
Transformation Initiative (transfer)	...	...	...	...	...	...	...	[15,000]
Total	17,963,841	158,137	18,121,978	17,897,161	19,177,218	224,817	19,402,035	20,045,000

PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Appropriations Language

The fiscal year 2015 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For activities and assistance for the provision of tenant-based rental assistance authorized under the United States Housing Act of 1937, as amended (42 U.S.C. 1437 et seq.) ("the Act" herein), not otherwise provided for, **[**$15,177,218,000**]***$16,045,000,000*, to remain available until **[**expended**]***September 30, 2017*, shall be available on October 1, **[**2013**]***2014* (in addition to the $4,000,000,000 previously appropriated under this heading that became available on October 1, **[**2013)**]***2014)*, and $4,000,000,000, to remain available until **[**expended**]** *September 30, 2018*, shall be available on October 1, **[**2014**]***2015*: *Provided*, That the amounts made available under this heading are provided as follows:

(1) **[**$17,365,527,000**]***$18,006,550,000* 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**]***2015* 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 *and Choice Neighborhoods* vouchers: *Provided further*, That in determining calendar year **[**2014**]***2015* funding allocations 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 *medical expense threshold,* targeting and utility allowances, on public housing agencies' contract renewal needs: **[***Provided further*, That none of the funds provided under this paragraph may be used to fund a total number of unit months under lease which exceeds a public housing agency's authorized level of units under contract, except for public housing agencies participating in the Moving to Work (MTW) demonstration, which are instead governed by the terms and conditions of their MTW agreements:**]** *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 paragraph), 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 paragraph) 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**]***2015*: *Provided further*, That the Secretary may extend the notification period with the **[**prior written approval**]***notification* of 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**]***2015* allocations based on the excess amounts of public housing agencies' net restricted assets accounts, including HUD held programmatic reserves (in accordance with VMS data in calendar year **[**2013**]***2014* that is verifiable and complete), as determined 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, from the agencies' calendar year 2015 MTW funding allocation: Provided further*, That the Secretary shall use any offset referred to in the previous *two* proviso*s* 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 $75,000,000 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; **[**and**]** (4) 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 a result of insufficient funding: *Provided further*, That the Secretary shall allocate amounts under the previous proviso based on need, as determined by the Secretary; *and (5) 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;*

(2) **[**$130,000,000**]***$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 and Choice Neighborhood vouchers, mandatory and voluntary conversions, and tenant protection assistance including replacement and relocation assistance or for project-based assistance to prevent the displacement of unassisted elderly tenants currently residing in section 202

properties financed between 1959 and 1974 that are refinanced pursuant to Public Law 106–569, as amended, or under the authority as provided under this Act: *Provided*, That when a public housing development is submitted for demolition or disposition under section 18 of the Act, the Secretary may provide section 8 rental assistance when the units pose an imminent health and safety risk to residents: *Provided further*, That the Secretary may only provide replacement vouchers for units that were occupied within the previous 24 months that cease to be available as assisted housing, subject only to the availability of funds: **[***Provided further*, That of the amounts made available under this paragraph, $5,000,000 may be available to provide tenant protection assistance, not otherwise provided under this paragraph, to residents residing in low vacancy areas and who may have to pay rents greater than 30 percent of household income, as the result of (1) the maturity of a HUD-insured, HUD-held or section 202 loan that requires the permission of the Secretary prior to loan prepayment; (2) the expiration of a rental assistance contract for which the tenants are not eligible for enhanced voucher or tenant protection assistance under existing law; or (3) the expiration of affordability restrictions accompanying a mortgage or preservation program administered by the Secretary: *Provided further*, That such tenant protection assistance made available under the previous proviso may be provided under the authority of section 8(t) or section 8(o)(13) of the United States Housing Act of 1937 (42 U.S.C. 1437f(t)): *Provided further*, That the Secretary shall issue guidance to implement the previous provisos, including, but not limited to, requirements for defining eligible at-risk households within 120 days of the enactment of this Act;**]***Provided further, That any tenant protection voucher made available from amounts under this paragraph shall not be reissued by any public housing agency, except the replacement vouchers as defined by the Secretary by notice, when the initial family that received any such voucher no longer receives such voucher, and the authority for any public housing agency to issue any such voucher shall cease to exist: Provided further, That the Secretary, for the purpose 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) **[**$1,500,000,000**]***$1,705,000,000* shall be for administrative and other expenses of public housing agencies in administering the section 8 tenant-based rental assistance program, of which up to **[**$15,000,000**]***$10,000,000* 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 **[**$1,485,000,000**]***$1,695,000,000* of the amount provided in this paragraph shall be allocated to public housing agencies for the calendar year **[**2014**]***2015* 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, *including special purpose vouchers,* 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) **[**$106,691,000**]***$108,450,000* 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; *Provided further, the Secretary may provide assistance provided under this paragraph to Indian tribes and tribally designated housing entities that are eligible to receive block grant assistance under the Native American Housing Assistance and Self-Determination Act of 1996, based on factors such as need, capacity, and partnership with the local VA Medical Center or other entities in collaboration with the Department of Veteran Affairs, as determined by the Secretary to provide rental assistance for the benefit of homeless Native American veterans located on a reservation or other Indian areas;* and

(6) The Secretary shall separately track all special purpose vouchers funded under this heading. *(Department of Housing and Urban Development Appropriations Act, 2014.)*