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Helping House America

Congress Should Enact *Major Changes* in the PH & HCV Programs

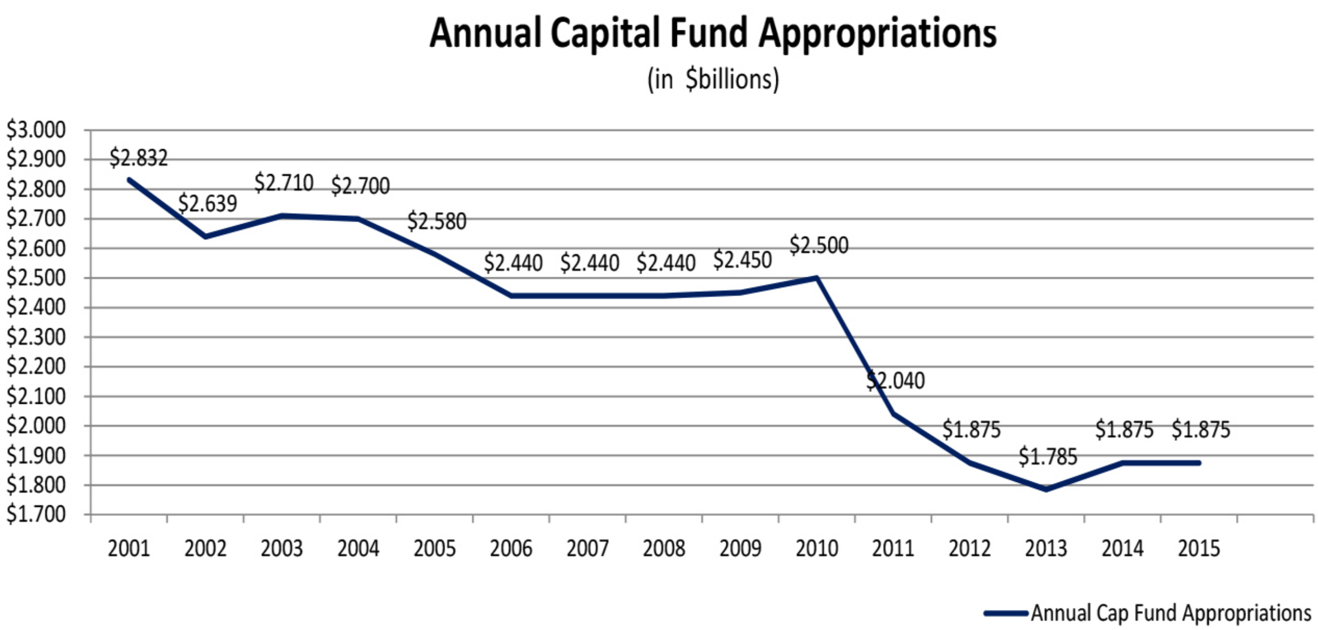
HAs Can't Adequately Serve Residents When Their Existence is Imperiled

The Budget Context

- The Public Housing program has been grossly under-funded. Deep prorations in the **Operating Fund** have forced HAs to reduce staff, cut services and maintenance, and resulted in an overall decline in quality of life for many low-income families. It should be noted that more than one-third of PH residents are elderly and/or disabled. The federal government should not abandon this vulnerable population.

- The PH **Capital Fund** is now at a twenty year low, and the backlog of unmet modernization needs is more than $26 billion, according to a recent HUD study. While helpful for a select group of properties, the Rental Assistance Demonization (RAD) is not "the" solution for most public housing properties because current RAD rents are far too low to fund operations and needed capital improvements, and to pay back debt service. As noted below, HAs need other tools besides RAD that Congress should consider.

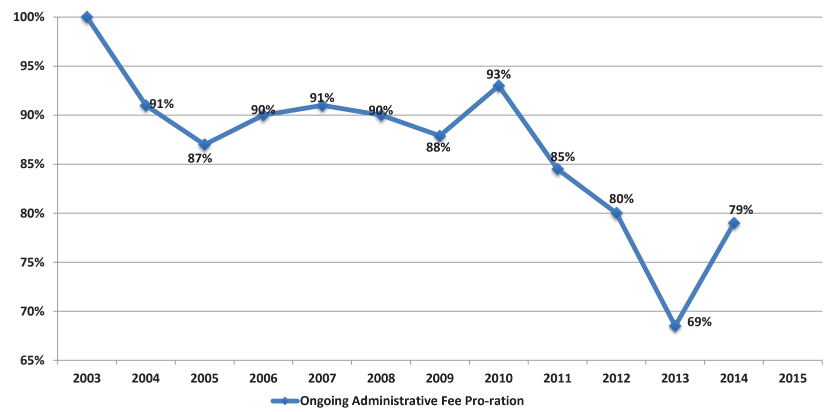
- **The Housing Choice Voucher (HCV) administrative fee** is supposed to help cover the cost of operating the program. Despite a brand new HUD study affirming the need for more resources, the admin fee has been deeply prorated below 80 percent the last two years. In FY 2013, it was 69 percent. This has forced hundreds of HAs to give up their programs and is partly responsible for the nationwide decline in utilization (now in the low 90 percent range). In fact, PHADA estimates that about 140,000 funded and authorized vouchers are going now unused, in part, because HAs do not have adequate resources needed to run the program. HUD itself acknowledged this problem in a recent budget submission to Congress:



"The Department is extremely concerned that the significant administrative fee proration[s]...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 [emphasis added].*** *Failing to provide adequate administrative fees will impede and disrupt PHA operations..."*

HCV Administrative Fee Funding Levels

Just one example of the cuts endured by HAs



Another Budget Deal Will Still Likely Leave HAs with De Facto Sequestration

While preferable to sequestration, the soon-expiring "Murray-Ryan" budget deal has imposed large cuts on housing programs and the millions of residents they serve. There has been some talk about another similar budget agreement this year. Even if Congress agrees to another Ryan-Murray type deal (very uncertain at this juncture), programs will continue to be drastically under-funded. For example, even under President Obama's "best case scenario" FY '16 budget request, Capital Funds are essentially flat-lined, and the operating account would be funded at only 86% percent of need. This is **DE FACTO SEQUESTRATION**.

Pointing to an ever-escalating amount of U.S. Debt, the nonpartisan Congressional Budget Office (CBO) further reported in March 2015 that there will not likely be room for adequate domestic program funding until Congress enacts major budget changes, including entitlement and tax reforms. Moreover, commenting on the dire situation of the New York City HA, Secretary Castro stated on May 29 that, "In terms of the resources, I'd be lying if I said you can be sure about federal resources or a certain level of federal resources far into the future..."

Given this dire budget context, it is imperative that Congress enact major changes to ensure the preservation of low-income housing programs.

A "Menu" of Proposed Solutions

If the Obama Administration and Congress are unable to provide adequate funding for housing programs, then they should at least provide HAs more flexibility to enable them to sustain operations and their housing stock. Moreover, some of the recommendations below, such as a moratorium on burdensome regulations, and enactment of SHARP and MTW expansion, would help "One HUD" realign its limited resources to better perform its risk-assessments, monitoring and oversight functions and to focus more on program outcomes and performance. Some potential measures HUD and Congress should initiate include the following:

- <u>Expand the original Moving to Work (MTW) program to many more agencies.</u> HUD's proposal to increase MTW by only 15 HAs over the next three years is far too meager given the scenario referenced above. MTW has resulted in numerous policy innovations that, in addition to the measures already enacted into law or instituted through regulation, should be implemented for other HAs to replicate.

- Support small agency streamlining and the bipartisan SHARP legislation, sponsored by Senator Jon Tester (D-MT). Some of the common sense recommendations in the SHARP bill come right from a report that HUD commissioned just a few years back.

- Permit a small amount of voucher HAP/NRA to be used for administrative purposes when the funding proration is below 90%. This would help HAs lease up more units and provide valuable housing assistance to more low-income families. As noted above, a brand new HUD study documents the admin fee shortfall. **"PHAs can only help low-income families with Housing Choice Vouchers if they can pay the costs of administering the program,"** HUD said in a statement accompanying the new study. PHADA strongly concurs.

- Institute a moratorium on all new burdensome regulations and reporting requirements. Instead of giving HAs more flexibility, HUD has been heaping regulatory burdens on HAs that will create millions of hours more of work for them. This detracts HAs from their main mission – the provision of housing to low-income families.

- Institute a reasonable minimum rent increase with hardship exceptions. Despite inflation, the minimum rent has not been increased from $50 since 1998. Secretary Castro's own home city of San Antonio (an MTW HA) has increased minimums for some properties, as has another MTW HA, Mayor Rahm Emanuel's Chicago HA. For that matter, then-Secretary Shaun Donovan proposed a similar plan in President Obama's budget just a few years ago. Why not provide this tool to thousands of other housing agencies?

- Reinstate the "frozen rental income" provision for 3 years to incentivize HAs to increase tenant rental income. A previous initiative generated hundreds of millions of dollars, which are so badly needed now.

- Change PHAS and SEMAP compliance. Suspend non-statutory measures in HUD's "report cards" - PHAS & SEMAP –and make the scores advisory only. It's unfair to "grade" HAs when the federal government is not providing adequate funding.

- Allow HAs to keep "flat renters" to continue their path to self sufficiency and to remain in residency during that time.

- Freeze the rolling utility base to let HAs recoup savings from energy conservation measures.

- Enact tax reform that would set up a new trust fund or infrastructure bank to help cover public housing capital and revitalization needs. Rep. Keith Ellison's bill could serve as a model.

- Simplify rent setting by using gross rather than adjusted income.

- Allow HAs to recertify family income once every three years for elderly and disabled households when 90 percent or more of their income is fixed.

- Limit Section 3 requirements to those applied under Office of Housing.

- Eliminate the PHA Plan.

- Allow blanket regulatory suspensions and waivers under 24 CFR Part 5.

- Allow expedited implementation of lower payment standards in the voucher program.

- Provide flexibility to agencies to raise revenue. Facing billions of dollars in shortfalls, the New York City HA has proposed increases in certain fees to help ensure the preservation of its invaluable program. Other HAs should have the same tools to better ensure survivability.

Recent History of Public Housing Funding 2004-2016 ($ billions) (shaded areas indicate deep underfunding / prorations in excess of 5%)				
	Public Housing Operating Fund	**Public Housing Capital Fund**	**HCVouchers (renewals)**	**HCVouchers Admin. Fee**
2004	$3.569 B **98.1% proration**	$2.695 B	$12.893 B **100% funding**	$1.235 B **93% proration**
2005	3.396 **88.8% proration**	2.579	13.463 **96% proration**	1.200 **89% proration**
2006	3.564 **86.0% proration**	2.439	13.949 **95% proration**	1.238 **90% proration**
2007	3.864 **83.4% proration**	2.439	14.436 **105% funding**	1.281 **101% funding**
2008	4.200 **89.0% proration**	2.439	14.666 **101% funding**	1.351 **90% proration**
2009	4.455 **88.4% proration**	2.450	15.034 **99% proration**	1.450 **90% proration**
2010	4.760 **103% funding**	2.500	16.339 **100% funding**	1.575 **92% proration**
2011	4.956 **100% funding**	2.040	16.669 **99% proration**	1.447 **84% proration**
2012 **	3.941 **80.8% proration**	1.875	17.242 **99% proration**	1.350 **75% proration**
2013 ***	4.054 **81.9% proration**	1.785	16.379 **94% proration**	1.307 **69% proration**
2014	4.399 **88.7% proration**	1.875	17.366 **99% proration**	1.50 **79% proration**
2015	4.400 **84% proration**	1.875	17.486 **95% proration**	1.530 **74-75% proration**
2016	4.600B WH bill **86% proration** 4.400B House bill **83% proration**	1.970B WH bill 1.681B House bill	18.334B WH bill **99% proration** 18.151B House bill **99% proration**	2.020B WH bill **90% proration** 1.53B House bill **68% proration**

** -- HUD took PH operating reserves   *** -- Sequestration effect