

## Additional Views on H.R. 1851, the "Section 8 Voucher Reform Act of 2007"

H.R. 1851, the Section 8 Voucher Reform Act of 2007 (SEVRA), makes a number of important improvements to the Section 8 program to reform and simplify regulations for local public housing agencies while preserving essential tenant protections.

The Section 8 housing voucher program is the nation's largest low-income housing assistance program helping over 2 million low-income households, elderly and disabled secure affordable modest housing in the private market. The program has grown to replace public housing as the primary tool for subsidizing the housing costs of low-income families. Through this program, the Department of Housing and Development (HUD) provides portable subsidies to individuals who seek rental housing from qualified and approved owners (tenant-based), and provides subsidies to private property owners who set aside some or all of their units for low-income families (project-based).

The Section 8 program began in 1974, primarily as a project-based rental assistance program. However, by the mid-1980s, project-based assistance came under criticism for being too costly and for concentrating poor families in high-poverty areas. Consequently, in 1983, Congress stopped providing new project-based Section 8 contracts and created vouchers as a new form of assistance. Today, vouchers are the primary tool of assistance provided under Section 8, although over 1 million units still receive project-based assistance under their original contracts or renewals of those contracts.

Over the years, the cost of the housing choice voucher has continued to increase and today consumes over 60 percent of HUD's budget. These cost increases can be attributed to a number of factors, not the least of which is the structure of the benefit. The value of a voucher is calculated as roughly the difference between rents in a community and 30 percent of participating households' incomes. In recent years, rents have been rising faster than incomes, which, along with federal policy changes designed to expand household choice and alleviate poverty, have driven up the cost of a voucher and therefore the cost of the program. This rate of increase, combined with an extremely complicated set of laws and rules that govern the voucher program, limits the program's effectiveness for families, many of whom must wait years to receive any help from their local housing authorities. In addition, the rising cost of this program has begun to impact funding for other key housing programs. In fact, for the first time in 2004, HUD programs such as Community Development Block Grants (CDBG) and HOME were forced to absorb budget cuts to pay for funding the Housing Choice Voucher program.

In an effort to deal with the rising cost of the Section 8 voucher program, the Administration has made several different reform proposals. In its FY 2004 budget, the Administration proposed a state-run block grant model, entitled 'Housing Assistance for Needy' (HANF). The Subcommittee on Housing and Community Opportunity held a series of hearings on this proposal, but in the end, no legislative action was taken. In 2005, the Administration proposed a different approach. Instead of a block grant to the states, the Administration's Flexible Voucher Program (FVP) envisioned a dollar-based grant program to be administered by the Public Housing Authorities (PHAs). The Flexible Voucher Program was not considered by the 108th Congress; however, the Appropriations Committee did include provisions in the 2005 Consolidated Appropriations Act moving the program from a unit-based program to a dollar-based program.

Prior to 2004, PHAs were funded on a unit-basis. Their budgets were determined based on the number of vouchers they were allocated to administer at their actual costs. In FY 2004, the formula was changed to fund PHAs based on the number of vouchers they were expected to lease at a fixed cost. In FY 2005, the formula was changed again and PHAs were funded based on 2004 May-July VMS data, inflated for 2005 and prorated to 96 percent. In addition, the allocation of funds in FY 2005 was based on a three-month period in 2004 (May-July), which may have been a low-point for some PHAs' budgets. The result is that some PHAs receive more than they can utilize and others not enough.

To address this problem, on February 15, 2007, as part of the Continuing Resolution (P.L. 110-5), Congress reverted back to a funding formula based on actual costs and utilization. H.R. 1851 seeks to codify many of the changes made in the Continuing Resolution, and as with any funding formula change, there are winners and losers under the newly enacted funding mechanism. The fact that the funding formula has been repeatedly changed over the last several years has made it difficult for PHAs to administer their voucher programs and to plan for the future.

We support a funding formula that will be reasonable, fair and predictable. We support a formula that will provide PHAs the certainty they need to effectively and efficiently provide affordable housing to low-income families. Finally, we support a funding formula that includes incentives for agencies to improve their performance and to serve the maximum number of families in need. While we appreciate the spirit of the funding formula provisions included in H.R. 1851, we would like to see additional changes to the funding formula section that will help move us closer to achieving the above-mentioned goals.

It is critical to make improvements in the delivery of housing assistance to families in need. We believe this can be achieved by providing flexibility to local public housing authorities (PHAs) while holding them accountable for results. Such flexibility would enable PHAs to tailor and manage their programs to the needs of the families they serve in the local community instead of through a one-size-fits-all approach. This is important not only philosophically, but practically, because we face a situation of growing waiting lists for Section 8 vouchers without the resources to serve everyone. We need to move current Section 8 recipients to self-sufficiency so that we can provide a similar helping hand to those who have patiently waited, in some cases for almost ten years, for assistance. The answer is not necessarily to increase funding. Rather, the answer is to allow PHAs to be innovative with the money they have, to be efficient and to help as many people in need as possible move through the program.

Our ultimate aim should not necessarily be to expand this program, but instead to reform it to allow PHAs to serve more people. While H.R. 1852 does not provide for as much flexibility as we believe is needed to achieve this goal, we are pleased that the bill increases the number of PHAs allowed to enjoy such flexibility under the Moving to Work (MTW) program, which has allowed a small group of PHAs to create locally based housing programs outside of HUD's one-size-fits-all regulations. The MTW program has enabled PHAs to create jobs for residents, add affordable housing stock, and help families build savings. The efforts of PHAs, which include incentives to gain employment, mixing of fund sources, relief from obsolete regulatory requirements, and effective use of funding for development and homeownership, have been successful in improving housing stock and serving more families by helping recipients achieve self-sufficiency. Currently, only 24 of the more than 3,000 PHAs nationwide are able to participate in the MTW program.

H.R. 1852 renames the Moving to Work program as the Housing Innovation Program (HIP) and increases the number of PHAs allowed to participate. The bill also directs HUD to establish performance standards for evaluating HIP agency results, taking into account variation in practice according to each local design. The evaluation is intended to be limited to assessing which policies and programs work under HIP, since having a one-size-fits-all performance standard system would undermine the flexibility of the program. Evaluation standards are tied to the specific performance goals set by the local agency. The strategies implemented by the PHAs participating in HIP can serve as examples of innovative ways to improve the program in the future to ensure that our limited federal resources may be used to help all of those who need it. With this performance evaluation, our goal is to be able to take away best practices for reform of the Section 8 program.

In addition, we are pleased that the bill enhances HUD's Family Self-Sufficiency Act (FSS) program by providing housing authorities with consistent coordinator funding. Housing authorities can then help more individuals move from public assistance to being self-sufficient homeowners. The legislation also includes performance measures, data collection, and an evaluation so that housing authorities are well-equipped and encouraged to operate effective FSS programs and can help more individuals.

We are hopeful that the innovation that can be produced through HIP and FSS will demonstrate ways to truly reform Section 8 so we can serve more people efficiently and help move them to self-sufficiency.

We look forward to working with the Chairs of the Committee on Financial Services and the Subcommittee on Housing and Community Opportunities to fine-tune the provisions of H.R. 1851 prior to this legislation being considered on the House floor. H.R. 1851 includes improvements that will help make the Section 8 program more efficient and effective. By working together in a bipartisan manner, we can make this legislation better serve low-income families and communities across the country.

Spencer Bachus.

Judy Biggert.

Gary G. Miller.

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