

Overview of Rental Assistance Programs

In 2018, 79 percent of HUD's discretionary appropriations were set aside for rental assistance. Rental assistance is a major part of HUD's mission, and because of this, HUD continues to examine its programs to achieve greater effectiveness and efficiency. The 2020 President's Budget funding level across HUD rental assistance programs would support the same number of households currently assisted, while also proposing the following reforms to ensure the long-term fiscal sustainability of rental assistance.

Rent Reform

The current rent structure in HUD's rental assistance programs creates disincentives to employment; imposes large administrative burdens for Public Housing Authorities (PHAs), private owners, and tenants; generates significant and increasing costs to the Federal government; and ultimately represents a one-size-fits-all approach that cannot reasonably offer the programmatic flexibility to meet the needs of households in localities across the nation.

Thus, with the Making Affordable Housing Work Act (MAHWA), submitted to Congress in April 2018, HUD proposed reforming rental assistance to address these notable issues and further the following goals:

1. *Simplify program administration:* The proposed legislation would simplify rent calculations by determining rents using gross rather than adjusted income.
2. *Reduce federal taxpayer costs by encouraging work and stable family formation:* HUD seeks to limit income recertification for all households to once every three years, which encourages work by deferring increases in tenant rent payments as a result of increased wages. In addition, the proposed legislation would establish higher expectations for tenants able to work by setting tenant rent contributions at 35 percent of gross income, while setting a lower rent of 30 percent of gross income for those unable to work, notably the elderly and persons with disabilities. Additionally, current elderly and persons with disabilities would be held harmless from rent increases as reflected in the proposed legislation. Moreover, MAHWA would provide additional safe-harbors, including a hardship exemption for tenants who, in certain circumstances, are unable to pay their rents.
3. *Increase local control and choice:* MAHWA would empower PHAs and property owners to choose alternative rent structures, as approved by the Secretary, that would best serve the needs of households in localities across the Nation. These alternative rent structures must incur the same overall program costs and would provide a structure for residents to achieve self-sufficiency.

In addition, the 2020 Budget proposes uniform work requirements for households able to work. Consistent with Administration policy, the requirement would allow for work-seeking and preparation activities and would exempt the elderly, persons with disabilities, those

Overview of Rental Assistance Programs

caring for a family member with a disability or small child, and pregnant women. HUD will continue exploring ways to leverage existing enforcement and compliance mechanisms without adding burdens on PHAs and private multifamily property owners. HUD also will continue to support work requirement demonstration evaluations to build an evidence base from the experiences of Moving To Work PHAs on effective ways to promote self-sufficiency.

The Future of Public Housing

The President's Budget recognizes that the current public housing funding model continues to present an unsustainable way to preserve the nearly one million public housing units across the Nation. Public Housing has an approximate \$26 billion capital needs backlog, and affordable units are lost each year due to severe disrepair. The Department has not been able to meet the growing capital needs and prevent the loss of these units. The cumbersome structure of the Public Housing program constrains the ability for PHAs to swiftly and adequately address the significant preservation needs in their portfolios. Furthermore, the existing tools available to PHAs to deal with their rapidly deteriorating inventory, such as the Rental Assistance Demonstration (RAD), Section 18 Demolition and Disposition, and Voluntary Conversion, are currently limited in their scope and ability to preserve affordable housing for the future. To address these challenges, the 2020 Budget proposes an expansion of RAD, as well as other tools that empower PHAs to make local decisions about how best to use their properties to meet the needs of their communities. This strategy is focused on making the tools more accessible to PHAs of all sizes; simplifying administrative requirements where possible; and encouraging PHAs to transition public housing to more sustainable platforms. The Budget requests \$100 million to support RAD, the largest of these efforts.

Additionally, HUD is making changes to other transitional tools, including demolition and disposition requirements and streamlining voluntary conversions, which will enable PHAs to more easily transition and preserve Public Housing. The Budget is requesting a set-aside of \$30 million for demolition to assist PHAs in removing unsafe and uninhabitable units from HUD's public housing inventory and \$15 million for grants to at-risk PHAs to recapitalize and reposition units.

Capital and Operating Fund Flexibility

HUD proposes to extend the ability to utilize Capital and Operating Funds interchangeably to all PHAs, regardless of troubled status and the condition of a PHA's public housing portfolio. Currently, only small PHAs (those agencies with fewer than 250 units) that are not troubled and operate public housing in a safe, clean, and healthy condition have full flexibility. Larger agencies are permitted to transfer only 20 percent of the Operating Fund to the Capital Fund, and vice versa. Thus, HUD proposes full flexibility for all PHAs to use fiscal year 2020 operating subsidies and prior year funding from both the Capital and Operating Funds. The enhanced flexibility would enable PHAs to focus limited Federal resources on local priorities without being constrained by the statutory limitations placed on each fund.

Overview of Rental Assistance Programs

PHA Relief

HUD recognizes the large burdens placed on local governments and PHAs. Therefore, in the 2020 Budget, HUD proposes several initiatives to decrease burdens, increase flexibilities, and encourage innovation.

Decrease burdens: HUD continues to work within current regulatory parameters to find ways to allow PHAs to focus less on paperwork and more on serving vulnerable populations in need of housing. In addition to the current initiatives, HUD continues to propose initiatives that would allow the Secretary to waive certain requirements for PHAs. HUD strongly supports the flexibilities provided to PHAs and property owners as part of MAHWA.

The 2020 Budget proposes a new provision which would allow specific indicators of Section Eight Management Assistance Program (SEMAP), which will be further defined in a Federal Register notice, to be temporarily suspended by HUD. Suspending certain SEMAP indicators would eliminate administrative burden and reduce PHA costs associated with preparing the SEMAP certifications and submissions that are used by HUD to generate the PHA's SEMAP designation. In addition, this provision would be used to permit PHAs to set their payment standards below 90 percent of the Fair Market Rent (FMR) without HUD approval, provided the payment standard is no less than 80 percent of the FMR. This additional flexibility will further reduce PHA burden and simplify program administration.

Additionally, the Budget proposes adding a new provision that provides HUD with the authority to waive or specify alternative requirements for annual plan requirements, energy audits, and community service requirements to reduce costs or provide for the more effective administration of the Public Housing program. This authority will provide PHAs with a number of options for temporary administrative relief that may be tailored to reflect the specific needs of the individual PHA.