

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Overview of Rental Assistance Programs

In 2019, 79 percent of HUD's discretionary appropriations were set aside for rental assistance.¹ 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 2021 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. The 2021 Budget requests \$41.3 billion for rental assistance programs across HUD or 86 percent of the request and will serve nearly 4.6 million families.

Program	Families Served	Percent of Rental Assistance
Project-Based Rental Assistance	1,217,552	27
Public Housing Fund	914,529	20
Other Assisted Housing	187	-
Housing for the Elderly (Sec. 202)	124,472	3
Housing for Persons with Disabilities (Sec. 811)	32,414	1
Tenant-Based Rental Assistance	2,297,789	50
Total, Families Served by Rental Assistance Programs in 2019	4,586,943	

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 communities across the nation.

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

1. *Simplify program administration:* Simplify rent calculations by determining rents using gross rather than adjusted income.
2. *Reduce federal taxpayer costs by encouraging work and stable family formation:* 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 temporarily held harmless from rent increases as reflected in the proposed legislation. Moreover, HUD would maintain existing hardship exemptions for tenants who, in certain circumstances, are unable to pay their rents.

¹ Rental Assistance, as defined by HUD, includes Moving to Work, Tenant-Based Rental Assistance, the Public Housing Fund, Project-Based Rental Assistance, Housing for the Elderly, Housing for Persons with Disabilities, and Other Assisted Housing.

3. *Increase local control and choice:* 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 2021 Budget continues to propose uniform work requirements for households with non-elderly, non-disabled tenants able to work. 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 approximately \$26 billion capital needs backlog, and affordable units are lost each year due to severe disrepair. Neither federal appropriations nor state and local contributions have met the growing capital needs to prevent the loss of these units. Further, 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 using all available resources. 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 2021 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.

HUD has made 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 grants to assist PHAs in removing unsafe and uninhabitable units from HUD's public housing inventory and \$40 million for grants to at-risk PHAs to recapitalize and reposition units.

Creation of the Public Housing Fund

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 designated troubled and that 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 2021 Public Housing grants 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. The Budget proposes merging the Capital Fund and Operating Fund into a single account, the Public Housing Fund, for PHAs to utilize this flexibility.

PHA Relief

HUD recognizes the large burdens placed on local governments and PHAs. Therefore, in the 2021 Budget, HUD proposes several initiatives to decrease burdens, increase flexibilities, and encourage innovation.

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 2021 Budget proposes a new provision which would allow specific indicators of Section Eight Management Assistance Program (SEMAP), 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.

MOVING TO WORK

The Budget requests a separate Moving to Work (MTW) account for Public Housing Authorities (PHAs) participating in the MTW demonstration program. The MTW demonstration program is a federal demonstration program that provides PHAs waiver authority and flexibility in designing and testing non-traditional policies and programs that better address the issues surrounding low-income housing in their local communities. An MTW-designated PHA may apply such funding for eligible MTW uses, regardless of normally applicable restrictions on the originating funding source, provided that the agency continues to serve substantially the same number of families as it would have served absent the MTW demonstration. Additionally, MTW PHAs have the flexibility to modify existing requirements to meet one of the three MTW statutory objectives: increase cost-effectiveness of federal expenditures, encourage self-sufficiency, and increase housing choice among participants. Finally, MTW PHAs also have the authority to use their funds to implement innovative policies that go beyond the traditional Public Housing and Housing Choice Voucher (HCV) forms of assistance to better serve low-income families.

Under the current funding structure, MTW agencies have flexibility in what their Public Housing funds and HCV funds are used for, but these funds retain their original identity. This structure creates administrative burden for both MTW PHAs and HUD because separate funding accounts must be managed and reconciled in a manner that is disconnected from the purpose of MTW. It is difficult for both HUD and MTW PHAs to track Public Housing and HCV funding from the original source to the ultimate use, as required, to ensure sound financial practice. Furthermore, tracking the different obligation and expenditure timeframes for Public Housing and HCV funding is complicated for MTW PHAs. A separate MTW account will simplify these processes for the MTW PHAs.

Funding MTW agencies through this new MTW account has many advantages. The MTW Fund would, first, eliminate administrative burden for both MTW PHAs and HUD by reducing the number of funding accounts that must be managed and reconciled for these agencies. Second, it would simplify the tracking of funds, since all funds would be traced back to the MTW account. Funding under an MTW account would be identified as no-year money, eliminating expenditure requirements tied to individual program income sources. Fourth, it will provide greater transparency regarding the funding needs of the MTW demonstration program.

Please see the Moving to Work justification for additional information.