

**PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
2018 Summary Statement and Initiatives
(Dollars in Thousands)**

TENANT-BASED RENTAL ASSISTANCE	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2016 Appropriation	\$19,628,525	\$302,195 ^{a/}	...	\$19,930,720	\$19,633,638	\$19,375,263
2017 Annualized CR	19,628,525	380,082 ^{b/}	-\$37,314 ^{c/}	19,971,293	19,971,293	19,960,000
2018 Request	<u>19,317,900</u>	<u>125,000^d</u>	...	<u>19,442,900</u>	<u>19,442,900</u>	<u>19,825,000</u>
Change from 2017	-310,625	-255,082	+37,314	-528,393	-528,393	-135,000

a/ Includes \$15.5 million in recaptured funds and \$36.8 million transferred from the Public Housing Operating Fund and Capital Fund for the purpose of Rental Assistance Demonstration (RAD) conversions.

b/ Includes \$83 million transferred from the Public Housing Operating Fund and Capital Fund for the purpose of Rental Assistance Demonstration (RAD) conversions.

c/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

d/ Includes an estimated \$125 million transfer from the Public Housing Operating Fund and Capital Fund for the purpose of Rental Assistance Demonstration (RAD) conversions.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The fiscal year 2018 President’s Budget of \$19.318 billion for the Section 8 Housing Choice Voucher (HCV) program, is \$310.6 million less than the fiscal year 2017 Annualized CR level. The funding request reflects a set of policies, described further below, that reduce costs while continuing to assist current residents; these policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms. With implementation of these cost-saving policies, the requested funding level will provide approximately 2.2 million low-income families in 2018 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 goals of the HCV program are:

- Providing greater access to housing and better housing opportunities for very low- and extremely low-income families;
- Ensuring that families currently assisted under the HCV program continue to receive assistance, thereby preventing them from having worst case housing needs or facing homelessness;
- Reducing the number of chronically homeless individuals, families, and veterans; and

Tenant-Based Rental Assistance

- Maximizing the federal investment and the number of families assisted through HUD's rental housing assistance programs through comprehensive monitoring of utilization.

2. Request

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 currently provides rental assistance to about 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.

HUD's *Worst Case Housing Needs: 2015 Report to Congress* reveals that among very low-income renter households that lacked assistance, 7.7 million had worst case housing needs resulting from severe rent burden (paying more than one-half of their monthly income for rent) or living in severely inadequate housing units. From 2003-2013, worst case needs have increased by 49 percent as public-sector housing assistance and private-sector housing development have substantially failed to keep up with the growing demand for affordable rental housing. 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. 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 2,200 public housing agencies (PHAs). Requested funding levels and brief descriptions for each of the major funding components of the HCV program are provided below:

- Contract Renewals: \$17.584 billion for contract renewals, which provide funding to renew expiring HCV program Housing Assistance Payments (HAP) funding increments on a calendar-year basis. Contract renewals include special purpose vouchers such as HUD-VASH, Tribal HUD-VASH, and the Family Unification Program.
- Administrative Fees: \$1.550 billion for administrative fees, which are a vital component of the HCV program, providing PHAs with the resources necessary to administer the requested rental assistance for over 2.2 million families.
- Tenant Protection Vouchers: \$60 million for Tenant Protection Vouchers (TPV), which are provided to families impacted by housing conversion actions beyond their control, such as public housing demolition or redevelopment, and when private owners of multifamily developments choose to leave the project-based program or convert to long term Section 8 contracts.
- Section 811 Mainstream Renewals: \$107 million for contracts and administrative fees originally funded under the Section 811 Tenant-Based 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. The requested funding also includes administrative fees for the renewed vouchers.
- Tribal HUD-VASH Demonstration: \$7 million for renewals or issuance of vouchers (and associated administrative costs) under the Tribal HUD-VASH demonstration program authorized by the Consolidated and Further Continuing Appropriations Act, 2015 (Public Law 113-235). This demonstration program provides rental assistance and supportive housing for Native American veterans that are homeless or at risk of homelessness and living on or near a reservation or other designated tribal areas.

Tenant-Based Rental Assistance

- PHA IT Modernization: \$10 million for the modernization of PHA information technology systems used for program administration, and related expenses. Of this amount, \$5 million may be transferred to the “Public Housing Capital Fund” for this purpose.

3. Justification

The HCV program partners with local PHAs and landlords to provide housing to our nation’s neediest citizens. Of the families currently receiving HCV assistance, over half are either elderly or have a disabled head of household, and 75 percent are extremely low-income with incomes at or below 30 percent of the area median income. Without rental assistance, these families would be at great risk of homelessness or would be forced to choose between decent housing and other life necessities, such as food, clothing, and medicine.

A unique aspect of the HCV program is that it is designed to work in partnership, rather than in competition, with the private rental market. HCV assistance is primarily tenant-based assistance, which means the assistance is not permanently tied to a particular unit or project, but rather to an individual family. The family is responsible for finding a suitable rental unit with an owner who is willing to participate in the program. The PHA pays a monthly housing assistance payment directly to the owner on behalf of the family. That payment helps cover the affordability gap between what very low-income families can afford to pay for rent, and the actual rent charged. The HCV program relies on this private sector partnership to effectively and efficiently provide affordable housing opportunities in the local community instead of depending on direct government intervention to do so.

HUD works with numerous partners and stakeholders in providing HCV assistance to families. In addition to PHAs and private owners, these partners and stakeholders include:

- Other federal agencies, such as the Department of Veterans Affairs;
- State and local entities, such as Public Child Welfare Agencies;
- Housing Industry Associations;
- Resident Groups; and
- Tribally Designated Entities (TDHEs) and Tribal governments.

The HCV program has proven to be effective at meeting the housing needs of our most vulnerable citizens compared to other approaches. For example, in October 2016, HUD published the results of the Family Options Study. Launched in 2008, the study’s goal was to determine which housing and services interventions work best for families with children experiencing homelessness. Reports published in July 2015 and October 2016 presented evidence regarding the effects of giving families in emergency shelters priority access to housing choice vouchers, rapid re-housing, or project-based transitional housing. The study team followed the families for 3 years and measured outcomes in five domains of family well-being: (1) housing stability, (2) family preservation, (3) adult well-being, (4) child well-being, and (5) self-sufficiency. The study determined that the HCV program was the most effective intervention of all the approaches tested. HCV intervention reduced most forms of residential instability by more than one half, reduced food insecurity, and improved multiple measures of adult and child well-being.

Tenant-Based Rental Assistance

HUD continues its concerted effort to ensure that the program operates efficiently and effectively, in addition to providing enough local flexibilities that allow PHAs to tailor the program to work better in their communities. In most housing markets, rents have been rising faster than incomes during the last few years, which raises the HCV program's per unit costs (what it costs, on average, to assist one family). Naturally, increases in per unit costs result in a need for increased program funding in order to continue providing the same level of assistance to the same overall number of families. Without significant reforms, these cost increases may ultimately prove to be unsustainable in a fiscally constrained environment. Not only do they pose challenges to the future viability of the HCV program, but – if increased funding to the HCV program were to lead to decreased funding for other HUD programs – they could also threaten other HUD initiatives. The Department is consequently re-examining the program's regulations and policies, both to simplify the program and to make certain that the HCV program's shared responsibilities extend beyond the Federal taxpayer to PHAs, participating owners, and the assisted families.

The Budget proposes a set of policies in its core rental assistance programs that will reduce costs while continuing to assist current residents, encouraging work, and promoting self-sufficiency. The changes described below will help ensure that all assisted families are making a modest minimum contribution for their housing costs. These proposals will also provide administrative flexibilities and streamline the complex and administratively burdensome calculation of income and rent. Changes that are proposed for multiple rental assistance programs in the 2018 President's Budget, including the HCV program, include:

- An increase in the tenant contribution toward rent from 30 percent of adjusted income to 35 percent of gross income (i.e., income adjusted by exclusions but not deductions). The Department does not plan to implement this provision in the HCV or Public Housing programs in 2018, but nonetheless requests authority for this change across core rental assistance programs. The Department will implement this provision as a pilot in PBRA, 202, and 811 in 2018. Hardship exemptions, as defined by the Secretary, will be available for tenants.
- Establishing minimum tenant rental payments of \$50 per month, with hardship exemptions. Making at least \$50 in monthly rent mandatory for participating families largely impacts non-elderly/non-disabled households, and clearly communicates that everyone is expected to pay some rent for their housing.
- Elimination of utility reimbursement payments to tenants. These payments have occurred when the utility allowances provided to cover tenant-paid utility costs exceeded the minimum rent contribution due from the family. (The Department will continue to reduce tenant rent contributions by the amount of utility allowances with a maximum reduction equal to the minimum rent due.) Hardship exemptions, as defined by the Secretary, will be available for tenants.
- The ability of the Secretary of Housing and Urban Development to waive, or specify alternative requirements for, statutory or regulatory provisions related to public housing agency (PHA) administrative, planning, and reporting requirements, energy audits, income recertification, and program assessments. In the HCV program, this increased flexibility will allow PHAs to access a full menu of savings options to fit their needs, including decreasing maximum rent subsidies and achieving administrative efficiencies.

Tenant-Based Rental Assistance

In addition to the cross-rental program cost savings proposals, the HCV program will no longer provide higher payments for enhanced vouchers. This change will apply the same cost limitation on the maximum subsidy that may be paid under the voucher program to enhanced vouchers in order to control program costs; however, the tenant rent limitation will be waived so that families will not be required to relocate as a result of this change.

These proposals represent the first step of a much broader, more comprehensive rent reform effort that will be presented in a forthcoming legislative proposal. In the interim, managing this transition is critical, and HUD recognizes that major reform can be challenging, both for program participants and the PHAs. The requested broad waiver authority described above will help PHAs better manage their programs within their available resources and provide PHAs with a variety of options for temporary regulatory and statutory relief while HUD seeks permanent statutory reform. In addition, HUD will work with PHAs to manage the proposed changes using a full menu of options, including adjustments to existing PHA discretionary policies, new flexibilities, and voucher attrition (i.e., not reissuing vouchers when families exist the program), as needed to avoid resident displacement. This approach will empower local communities to manage the cost savings proposals in a fiscally responsible manner and help to avoid the displacement of currently assisted households, by giving PHAs the flexibility to employ those relief measures that make the most sense in relation to their own needs, priorities, and rental markets. The budget request also includes \$10 million to modernize PHA IT systems used for program administration in order to help PHAs implement the proposed changes. This budget request for the HCV program reflects the President's commitment to fiscal responsibility while still supporting critical functions that provide rental assistance to very low-income and vulnerable households.

General Provisions

The President's Budget proposes the following new General Provisions for Tenant-Based Rental Assistance, which are described in greater detail in the General Provisions Congressional Justification:

- Allowing HUD to provide PHAs with greater flexibility to use the statutory exception for PBV new construction provided to certain formerly federally assisted projects from the PBV program cap and income mixing requirements (Sec. 224).
- Revising the supportive services exception to the PBV income mixing requirement to provide PHAs with greater administrative flexibility to project-base vouchers (Sec. 225).
- Raising Brooke amendment maximum rents (Sec. 226). Note: The Department does not plan to implement this provision in the Public Housing or HCV programs in 2018, but it will implement this provision as a pilot in PBRA, 202, and 811 in 2018.
- Raising minimum rents to \$50 (Sec. 227).
- Eliminating utility allowance reimbursements, (Sec. 228).
- Tenant-Based Rental Assistance flexibilities (Sec. 231).
- Eliminating higher payments for enhanced vouchers (Sec. 232).

Tenant-Based Rental Assistance

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Contract Renewals	\$17,681,451	\$49,149	\$17,730,600	\$17,657,970	\$17,647,839	\$72,630	\$17,720,469	\$17,583,826
Administrative Fees ...	1,650,000	118,393	1,768,393	1,692,697	1,646,863	75,696	1,722,559	1,550,000
Section 8 Rental Assistance	130,000	70,990	200,990	85,960	129,753	115,030	244,783	60,000
FSS Coordinators .....	...	536	536	536	...	...	...	...
Veterans Affairs Supportive Housing (VASH) Program	60,000	12,914	72,914	50,865	59,886	22,049	81,935	...
Tribal HUD-VASH .....	...	...	...	...	...	...	...	7,000
Section 811 Mainstream Renewals	107,074	11,050	118,124	108,041	106,870	10,083	116,953	107,074
Rental Assistance Demonstration .....	...	39,163	39,163	37,569	...	84,594	84,594	...
PHA IT System Modernization .....	...	...	...	...	...	...	...	10,000
Total	19,628,525	302,195	19,930,720	19,633,638	19,591,211	380,082	19,971,293	19,317,900

Tenant-Based Rental Assistance

**PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Appropriations Language**

The fiscal year 2018 President's Budget includes the appropriation language listed below.

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, \$15,317,900,000, to remain available until September 30, 2020, shall be available on October 1, 2017 (in addition to the \$4,000,000,000 previously appropriated under this heading that shall be available on October 1, 2017), and \$4,000,000,000, to remain available until September 30, 2021, shall be available on October 1, 2018: Provided, That the amounts made available under this heading are provided as follows:

(1) \$17,583,826,000 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 2018 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 Choice Neighborhoods vouchers: 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 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), prorate 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, 2018: Provided further, That the Secretary may extend the notification period with notification to 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 in accordance with the requirements of the MTW program 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 2018 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 2017 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 2018 MTW funding allocation: Provided further, That the

Tenant-Based Rental Assistance

Secretary shall use any offset referred to in the previous two provisos 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 previous 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;

(2) \$60,000,000 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 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;

(3) \$1,550,000,000 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 \$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 \$1,540,000 of the amount provided in this paragraph shall be allocated to public housing agencies for the calendar year 2018 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

Tenant-Based Rental Assistance

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, excluding 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 in accordance with the requirements of the MTW program, 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) \$107,074,000 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) \$7,000,000 shall be for renewal grants, including rental assistance and associated administrative fees for Tribal HUD-VA Supportive Housing to serve Native American veterans that are homeless or at-risk of homelessness living on or near a reservation or Indian areas: Provided, That such amount shall be made available for renewal grants to the recipients that received assistance under the rental assistance and supportive housing demonstration program for Native American veterans authorized under the heading "TENANT-BASED RENTAL ASSISTANCE" in title II of division K of the Consolidated and Further Continuing Appropriations Act, 2015 (Public Law 113-235, 128 Stat, 2733): Provided further, That the Secretary shall be authorized to specify criteria for renewal grants, including data on the utilization of assistance reported by grant recipients under the demonstration program: Provided further, That renewal grants under this paragraph shall be administered by block grant recipients in accordance with program requirements under the Native American Housing Assistance and Self-Determination Act of 1996: Provided further, That assistance under this paragraph shall be modeled after, with necessary and appropriate adjustments for Native American grant recipients and veterans, the rental assistance and supportive housing program known as HUDVASH program, including administration in conjunction with the Department of Veterans Affairs and overall implementation of section 8(o)(19) of the United States Housing Act of 1937: Provided further, That the Secretary of Housing and Urban Development may waive or specify alternative requirements for any provision of any statute or regulation that the Secretary administers in connection with the use of funds made available under this paragraph (except requirements related to fair housing, nondiscrimination, labor stands, and the environment), upon a finding by the Secretary that any such waiver or alternative requirement is necessary for the effective delivery and administration of such assistance: Provided further, That grant recipients shall report to the Secretary on utilization of such rental assistance and other program data, as prescribed by the Secretary;

(6) \$10,000,000 shall be available to support modernization of public housing agency (PHA) information technology systems with respect to administration of program data and funding provided under this heading, including related expenses; Provided, That the Secretary may transfer up to \$5,000,000 of the amounts provided under this paragraph to the "Public Housing Capital Fund" heading under this title to

Tenant-Based Rental Assistance

*support modernization of PHA information technology systems with respect to administration of program data and funding under such heading, including related expenses; and
(7) the Secretary shall separately track all special purpose vouchers funded under this heading.*

Note.—A full-year 2017 Annualized CR for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.