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## FY 2018 Senate Appropriations Bill In-Depth: Section 8 Programs

### NAHRO News

#### Direct News - Washington Update

#### FY 2018 Senate Appropriations Bill In-Depth: Section 8 Programs

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On July 27, the Senate Appropriations Committee voted unanimously to approve its FY 2018 Transportation, Housing and Urban Development (T-HUD) bill. The bill provides \$60.058 billion in funding overall, \$2.407 billion higher than current funding levels and \$3.5 billion higher than the House. Considering the constraints of the FY 2018 budget cap, the increased THUD allocation is a huge win and allowed appropriators to avoid making the same types of cuts seen in the House T-HUD bill. The House Appropriations Committee approved its bill on July 17.

This *Direct News* item is intended to provide NAHRO members with a detailed summary of the fiscal year (FY) 2018 Senate appropriations bill's treatment of HUD Section 8 provisions. As this bill has not been enacted, at this time, these account numbers are only proposals. Major Section 8-related items in this bill include:

- \$19.370 billion for Housing Choice Voucher housing assistance payments, which, at this time, NAHRO estimates to be a 99 percent proration;
- \$1.715 billion for ongoing administrative fee, with another \$10 million in additional administrative fees, which, at this time, NAHRO estimates to be a 75 percent proration; and
- \$11.507 billion funding for the Project-Based Rental Assistance account.

If you have questions on any of the item in this *Direct News* item, please contact Tushar Gurjal, NAHRO's Policy Analyst for Section 8 programs, at [tgurjal@nahro.org](mailto:tgurjal@nahro.org).

#### Tenant-Based Rental Assistance (TBRA)

*Housing Choice Voucher (HCV) Housing Assistance Payments (HAP):* The appropriations bill includes \$19.370 billion for HAP renewals. This is an increase in absolute terms of \$1.015 billion from the FY 2017 enacted budget. At this time, NAHRO believes it represents a 99 percent proration, but this number could change as additional information becomes available. HUD shall notify PHAs of their allocation within 60 days of a budget being enacted.

*HAP Renewal Formula:* This appropriations bill calls for HAP renewal funding based on validated calendar year (CY) 2017 Voucher Management System (VMS) leasing and cost data adjusted by an inflation factor set by the Secretary. Enacted budgets have used a formula which bases renewals on actual HAP costs and utilization since 2007.

*HAP Set-Aside Funds:* The appropriations bill would allocate \$75 million for HAP set-aside funding to four categories. This is the same as FY 2017 enacted levels. The four categories would be the following: (1) PHAs that experience a significant increase in renewal costs of vouchers resulting from unforeseen circumstances or from portability; (2) vouchers that were not in use during the 12-month period in order to be available to meet PBV commitments; (3) costs experienced with HUD-VASH vouchers; and (4) PHAs that would be required to terminate rental assistance despite taking cost-saving measures.

*NRA/HUD-Held HAP Reserves Offset:* This bill would authorize HUD to offset PHAs' CY 2018 allocations based on the excess amounts of PHAs' net restricted assets accounts, including HUD-held programmatic reserves (in accordance with VMS data in calendar year 2017 that is verifiable and complete). PHAs participating in the Moving to Work (MTW) demonstration would also be subject to the offset "excluding those amounts subject to the single fund budget authority provisions of their MTW agreements."

*HUD-VASH Vouchers:* This bill allocates \$40 million for new HUD-VASH vouchers. HUD will make the funding available to PHAs that partner with eligible United States Department of Veterans Affairs (VA) Medical Centers or other entities based on geographical need, PHA administrative performance, and other factors. The FY 2017 enacted budget allocated \$40 million for HUD-VASH vouchers also. Additionally, this budget allocates \$5 million for HUD-VASH renewals "to serve Native American veterans that are homeless or at-risk of homelessness living on or near a reservation or other [Native American] areas."

The Senate Appropriations Committee report includes language instructing HUD to recapture HUD-VASH assistance from PHAs that voluntarily declare that they no longer have a need for that assistance and reallocate it to PHAs with an identified need. The Committee also instructs HUD to prioritize PHAs that project-base a portion of their HUD-VASH vouchers as part of this reallocation.

*Family Unification Program Vouchers:* This Senate bill includes \$20 million for new Family Unification Program (FUP) vouchers. This bill directs any PHA that determines that it no longer has an identified need for FUP assistance from prior acts to notify HUD, which will recapture that assistance. The Committee instructs HUD to prioritize the award of these vouchers to PHAs that will target them to youth and PHAs that have partnered with a local public child welfare agency to ensure youth referrals.

**ACC Caps:** This bill maintains the ACC Caps, restricting non-MTW PHAs from expending HAP to fund any unit months exceeding the PHA's authorized number of units under contract. The FY 2017 enacted budget also included this provision.

**Tenant Protection Vouchers:** This appropriations bill would provide \$75 million for the first-time funding of Tenant Protection Vouchers (TPVs). While this is a \$15 million increase from the House bill, it is also a \$35 million cut from FY 2017 enacted budget. These TPVs are to be used for the following: (1) relocation and replacement of public housing units that are demolished or disposed; (2) conversions of section 23 projects; (3) the Family Unification Program; (4) witness relocation; (5) enhanced vouchers; (6) HOPE VI; (7) Choice Neighborhoods; (8) mandatory and voluntary conversion of public housing; and, (9) tenant protection assistance for elderly residents of properties formerly assisted under Section 202. This bill has a set aside of \$5 million for tenant protection assistance to residents in low vacancy areas and who may have to pay rents greater than thirty percent of household income as a result of certain other conditions. The bill states that HUD may only provide replacement vouchers for units that were "occupied within the previous 24 months that cease to be available as assisted housing."

**Ongoing Administrative Fees:** This bill allocates \$1.715 billion for ongoing administrative fees. At this time, NAHRO estimates this to be an approximately 75 percent proration under the current administrative fee formula (though this is subject to change as new information becomes available). While this is \$165 million higher than both the President's proposed budget and the House budget, it is still far below full formula funding. The lack of full funding in this account makes the need for fungibility between HAP and administrative fees essential to keep voucher programs running, a position NAHRO fully supports. Continually cutting this account will have adverse programmatic effects and may cause deep structural cuts in some programs. The bill also instructs HUD to continue to use the current administrative fee formula, so it is extremely unlikely that any new administrative formula will be implemented in FY 2018, as both the House bill and the Senate bill instruct HUD to continue using the current administrative fee formula.

HUD is still in the process of developing a new administrative fee formula based on findings and recommendations from the [HCV Administrative Fee Study](#) as well as comments received from interested stakeholders (NAHRO's comments can be found [here](#)). HUD has indicated that career staff are still working on ways to improve the formula, though any final decisions on it will be made by incoming political appointees.

As before, NAHRO will continue to take a two-pronged approach in addressing this issue. First, NAHRO will make sure that legislators are aware of how this formula impacts their regions so that they do not rush to give HUD the authority to unilaterally change the formula, until there is a well-developed formula that takes into account all the costs of administering a HCV program. Second, NAHRO will continue to work with HUD to improve the formula to address its flaws, so that it accurately captures all costs associated with running a HCV program.

The Committee also notes that because Fair Market Rents (FMRs) do not always accurately track the local rental markets, PHAs are "conducting independent market surveys to more accurately reflect local market conditions, to submit to HUD for review and consideration." As the surveys are an eligible use of administrative fees, the Committee directs HUD to issue clarifying guidance on how PHAs can use administrative fee funding for these surveys.

**Additional Administrative Fees:** The bill allocates up to \$10 million in additional administrative fees, which would be available to PHAs that need additional funding to administer their HCV program, including fees associated with tenant protection rental assistance, disaster-related vouchers, HUD-VASH, and other special purpose incremental vouchers.

**PHA Information Technology Systems:** Unlike the House bill, the Senate bill does not allocate \$10 million to support modernization of PHA "information technology systems with respect to administration of program data."

**Regulatory Relief:** The Committee notes the demand placed on small and medium-sized PHAs by disproportionate regulatory burdens and instructs HUD to simplify monitoring and compliance requirements. The Committee also directs HUD to report to the House and Senate Committees on Appropriations on recommendations for statutory and regulatory relief within 120 days of enactment of the budget. The House bill's report language also emphasized the need for regulatory reform. Additionally, an amendment to the bill adds report language which recognizes that small and medium-sized agencies are not the only agencies that need regulatory reform and encourages HUD to examine administrative requirements and identify efficiency adjustments for PHAs that only administer the Housing Choice Voucher Program.

**Fair Market Rents:** The Committee included report language noting that "in certain counties the current [FMR] methodology does not accurately reflect the current housing market" and that local surveys are sometimes necessary. The Committee encourages HUD to identify and implement alternatives to locally funded rent surveys for areas affected by changing economic conditions and natural disasters. Importantly, the Committee also "strongly encourages" HUD to improve FMRs, including by looking to alternative data sources, such as advertised for rent data. If national data sources cannot be located, then the Committee encourages HUD to identify alternative data sources HUD would accept from PHAs as an alternative to locally funded rent surveys. The Committee directs HUD to submit a report to the House and Senate Committees on Appropriations within 90 days of enactment of the budget describing proposals to update the FMR formula. The Committee also "strongly encourages HUD to expedite the process for consideration of FMRs and exception payment standards that are requested from PHAs."

NAHRO applauds the Committee for realizing that in many cases FMRs do not correctly track rental markets and for understanding that this may be a function of outdated data from the American Community Survey (ACS). The Committee mirrors NAHRO's view that alternative data sources need to be identified to help create FMRs that track rental prices in various markets. NAHRO looks forward to working collaboratively with HUD to improve FMRs so that they better track rental markets.

#### **Project-Based Rental Assistance (PBRA)**

**Project-Based Rental Assistance:** This bill allocates \$11.507 billion for the project-based rental assistance account. This amount is \$691 million above the FY 2017 enacted budget. According to language in the Committee report, this amount will "fully renew all existing affordable housing contracts." The PBRA program assists approximately 1.2 million extremely low- to low-income households in obtaining decent, safe, and sanitary homes and supports approximately 17,400 contracts with private owners of multifamily housing. The Committee also decided not to include the cost-saving provisions from the President's Budget including

raising maximum rents to 35 percent of gross income, establishment of mandatory minimum rents, and the elimination of utility allowance reimbursements, stating that these provisions were not vetted by the appropriate authorizing committee.

*Performance-based Contract Administrators:* The Committee is concerned about proposals to "reduce the scope of work performed by PBCAs [Performance-based Contract Administrators], diminish the applicability of Federal law, or consolidate PBCAs into regional awards versus State-by-State will have a detrimental effect of the oversight of these HUD-assisted properties." The Committee still encourages HUD to move forward with a solicitation so entities compete for these PBCA contracts without geographic limitation.

**Additional Resources:**

- [FY 2018 Senate Appropriations Bill](#)
- [FY 2018 Senate Appropriations Bill Report Language](#)
- [NAHRO's Coverage of the House Bill](#)
- [NAHRO's Coverage of the President's Budget Proposal](#)