

To: Interested Parties  
From: Center on Budget and Policy Priorities  
Re: **Initial analysis of draft Affordable Housing and Self-Sufficiency Improvement Act**  
Date: January 18, 2012

On January 13, 2012, majority staff of the House Financial Services Committee circulated a revised draft of the Section 8 Savings Act (SESA), renamed the Affordable Housing and Self-Sufficiency Improvement Act of 2011 (hereafter AHSSIA).<sup>1</sup> Next steps on the bill are not yet clear, but staff have indicated that the bill may be considered (“marked up”) by the full Financial Services Committee sometime in February.

With a few important exceptions, the most recent draft bill includes significant improvements over the prior draft, as noted below, and would create substantial savings in the operation of HUD’s major rental assistance programs. The bill also includes well-considered policy changes to enhance the economic well-being of many assisted families.

One of the bill’s most problematic provisions (along with its minimum rent provision, discussed below) incorporates without modification the proposal circulated in October by Rep. Miller to sharply expand HUD’s deregulatory initiative, the Moving-to-Work demonstration. As we’ve explained in recent analyses, a sharp MTW expansion would effectively convert the Section 8 voucher and public housing programs to block grants, risking deep funding cuts over time.<sup>2</sup> In addition, MTW has resulted in fewer families receiving housing assistance per dollar of federal funding on average compared to non-MTW agencies and at some agencies has unnecessarily exposed low-income families to rent increases and other harmful policies.<sup>3</sup> An open-ended MTW expansion would be so damaging that it would be better for Congress not to enact AHSSIA at all than to enact the bill with the current MTW provision.

The MTW demonstration’s goals — such as streamlining rules or testing experimental policies — could be pursued more effectively by enactment of AHSSIA *without* expanding MTW. However, if a limited expansion were tied to strong evaluation requirements and added protections for assisted families at the 35 existing MTW agencies (which administer more than 400,000 vouchers and public housing units) as well as new ones — and no other harmful provisions were added to AHSSIA as it moves through Congress — the tradeoff could potentially be justified. The restrictions needed to limit the risks from an MTW expansion would be substantially tighter than those approved by the Committee in 2009 as part of the Section 8 Voucher Reform Act (SEVRA).

Much of the new draft bill is unchanged from the two prior drafts, which are discussed in the testimony submitted by CBPP staff at the June and October hearings on the initial and second draft

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<sup>1</sup> The text of the draft bill and the section-by-section summary released by committee staff are available at <http://www.cbpp.org/research/index.cfm?fa=topic&id=143>.

<sup>2</sup> See <http://www.cbpp.org/cms/index.cfm?fa=view&id=3653>.

<sup>3</sup> See <http://www.cbpp.org/cms/index.cfm?fa=view&id=3590> for more information on concerns raised by MTW expansion and alternative ways to promote the demonstration’s goals.

SESA bills.<sup>4</sup> The following sections of the bill include the same language as the draft SESA bills, though sections frequently have been renumbered:

- Inspections (section 101)
- Asset Limitations (sec. 103)<sup>5</sup>
- Targeting (sec. 104)
- Use of Voucher Funds (sec. 105)
- Fair Market Rents (sec. 107)
- Screening (sec. 108)
- Utility Data (sec. 109)
- Study Regarding Occupancy by Elderly Persons and Persons with Disabilities (sec. 111)
- Housing Assistance Criteria Simplification (sec. 112, concerning admissions policies for privately-owned properties with project-based section 8 assistance)
- Access to HUD Programs for Persons with Limited English Proficiency (sec. 501)
- Extension of Mark-to-Market Program (sec. 502).<sup>6</sup>

Most of these provisions are described in detail in the Center's comparison of the initial SESA draft with the latest version of SEVRA from the prior Congress and with current law.<sup>7</sup> Unfortunately, AHSSIA continues to include only a few of the key provisions on voucher renewal funding needed for the authorizing legislation to provide a stable, comprehensive set of policies to guide the allocation of voucher renewal funding.<sup>8</sup> Hopefully, this omission can be repaired as the bill moves through Congress.

This memo highlights the significant changes in AHSSIA compared to the SESA drafts.

## **Self-Sufficiency Policies**

Unlike the October SESA draft, AHSSIA allows all public housing agencies and private assisted owners, and the families they assist, to benefit from the streamlining and other policy changes included in the bill, and does not condition the availability of these policy changes on agencies' adoption of self-sufficiency policies. This is a sensible change.

Instead, the new draft includes comprehensive reforms of HUD's Family Self-Sufficiency (FSS) program and several related provisions. Like proposed FSS legislation circulated by HUD since late 2010, section 301(b) merges the public housing and voucher FSS programs, updates core program policies, and expands eligibility for FSS to families receiving project-based section 8 assistance. Participation in FSS would remain voluntary for families. In comparison to the FSS proposal circulated earlier by HUD, AHSSIA would make several additional important changes.

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<sup>4</sup> The testimony is available at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3517> and <http://www.cbpp.org/cms/index.cfm?fa=view&id=3595>.

<sup>5</sup> AHSSIA does not include any change in ongoing *income* eligibility, unlike earlier SESA drafts.

<sup>6</sup> This section appears to be duplicative of section 237 of the final FY2012 HUD appropriations act.

<sup>7</sup> This side-by-side is available at <http://www.cbpp.org/files/SEVRA-SESA-current%20law%20comparison.pdf>.

<sup>8</sup> See Sard's testimony at <http://www.cbpp.org/files/6-23-11hous-test.pdf>, pages 3-4.

- Larger public housing agencies (PHAs) would be required to offer or expand an FSS program *if* Congress provides sufficient funding to support the costs of FSS coordinators based on a prescribed caseload ratio. (PHAs potentially subject to this requirement are those with 500 or more combined voucher and public housing units, excluding any public housing units in properties “designated” for occupancy by seniors or people with disabilities.)
- HUD would be required to revise the performance standards for the public housing and Housing Choice Voucher programs to incentivize PHAs to offer or expand their FSS programs, and to report annually to Congress on the cooperation agreements that PHAs have made with welfare, workforce, education and other agencies that provide supportive services. (See section 301(c).)
- If families remain in assisted housing after completion of their FSS contracts (or are allowed to receive interim withdrawals from the escrowed savings they accumulate by increasing their earned income while in FSS), the funds can only be used for self-sufficiency-related purposes. Families who exit assisted housing would have the same flexibility as families currently do to use their FSS savings as they wish.

In addition, section 302 of the bill requires HUD to conduct a comprehensive research demonstration to evaluate options for taking economic security initiatives to scale in subsidized housing. We have not yet had the time to review this section in detail, and urge the policy researchers on our list to send their thoughts about it. But we welcome the committee’s recognition that the state of knowledge is not yet sufficient to prescribe effective new self-sufficiency-related requirements for the assisted housing programs, and that carefully-designed research demonstrations — unlike the unstructured “thousand flowers” approach of MTW — are needed in order to base future housing policy on sound evidence-based practices.

## Rent Policies

The draft bill makes two significant changes in rent policies compared with the October SESA draft. First, it modifies the increase in the standard deduction for elderly and disabled families, changing the deduction from \$400 per year to \$550 per year, instead of the increase to \$675 proposed in earlier drafts. This change will still result in a rent reduction of about \$4 a month for the majority of elderly and disabled families. However, because the bill retains a provision that raises rents for some households by limiting deductions for medical and disability expenses (which the rent cut stemming from the \$675 standard deduction had been meant to offset), it would mean that families with high medical costs face larger rent increases than under SESA and that on average elderly and disabled families will pay higher rents under AHSSIA than they would under current law.

Second, AHSSIA appears to permit even larger minimum rent increases than the October SESA draft.<sup>9</sup> While the language is somewhat ambiguous, it appears that the bill would increase minimum rents to \$69.45 in 2012, adjusted by inflation in future years, eliminate the discretion PHAs now have to adopt lower minimum rent policies for public housing and voucher tenants, *and* grant both HUD and PHAs the authority to impose minimum rents of any amount above the \$69.45 level.<sup>10</sup>

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<sup>9</sup> See <http://www.cbpp.org/cms/index.cfm?fa=view&id=3607>.

<sup>10</sup> The relevant language is on pages 15-16 of the draft bill.

This would give HUD and PHAs unlimited ability to impose rent increases on the poorest families to make up for funding shortfalls, and would seriously undercut the effectiveness of the housing assistance programs.

Even if the language is modified so that the only change is to impose a minimum rent of \$69.45 on all housing assistance recipients, *this would cause rent increases for nearly 500,000 households*, based on HUD data from 2010. These households are the poorest and most vulnerable receiving HUD assistance, and raising their rents would cause hardship for them and added public costs in areas such as homelessness and child welfare. Congress could protect some families by improving flawed policies providing for hardship exemptions. These policies reach only a very small share of the families subject to minimum rents today, and should be improved whether or not minimum rents are increased. But even strong exemption policies likely would fail to reach many families facing hardship, so they would reduce but not eliminate the harm from a minimum rent increase.

### **Project-based Vouchers**

AHSSIA includes most of the changes in project-based voucher policies that had been included in the December 2010 version of SEVRA but omitted from earlier SESA drafts. By enabling PHAs to commit an additional 5 percent of their vouchers to particular properties, and allowing individual properties in some cases to have a larger share of units with project-based assistance, these changes can facilitate the development and preservation of affordable housing and potentially expand housing choices for families.

### **Public Housing Policy Changes**

The bill includes two significant changes related largely to the public housing program. Section 201 would authorize HUD's Rental Assistance Demonstration (RAD), and section 110 would allow all non-troubled PHAs to blend the federal assistance they receive under the Operating Fund and the Capital Fund, and to use the monies for any purpose permitted for either funding source. In light of the approval of RAD in the FY2012 appropriations act, it is not clear whether enactment of authorizing legislation would make any practical difference. There are a few key issues on which the proposed authorizing language differs beneficially from the policies prescribed in the appropriations act, but it is unlikely that as now written the authorizing language would override the limitations in the appropriations legislation on the scale and funding of the demonstration.

We have some concerns that the proposed increased flexibility on the use of operating and capital funds could lead to deeper cuts in funding for public housing than would otherwise occur. On the other hand, we also recognize that more flexibility may enable the agencies to use federal funds to best preserve decent living conditions for the families they serve.