

To: Interested Parties

From: Will Fischer, Center on Budget and Policy Priorities

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Re: House Committee Approval of SEVRA

On July 23, 2009, the House Financial Services Committee approved H.R. 3045, the Section 8 Voucher Reform Act (SEVRA). The full House could act on SEVRA as soon as September, and the Senate likely will begin consideration of the bill this fall. This memo provides a brief overview of the House committee-passed bill, and discusses several changes the committee made.

- **Overall, the committee-passed SEVRA bill would make major improvements to the housing voucher program.** The committee made only modest changes to the package of important, well-crafted reforms that forms the core of SEVRA. As a result, the bill would generate substantial benefits for low-income families, property owners, and state and local housing agencies, and would result in more efficient and effective use of federal funds.
- **The committee accepted an amendment weakening some protections in the Housing Innovation Program (HIP)** that SEVRA would create to replace HUD's existing Moving-to-Work demonstration. The HIP amendment would allow housing agencies to redirect federal funds in a manner that could cause significantly fewer families to receive assistance, allow future administrations to expand experimentation with policies that pose risks for low-income families, and lower the chances that the demonstration will be rigorously evaluated.
- **Two other harmful amendments passed by the committee** would impose rigid new identification requirements on voucher holders and prevent housing agencies and property owners from banning otherwise lawful possession and use of guns in federally assisted housing.

### **Committee-Passed Bill Would Make Voucher Program More Effective and Efficient**

As passed by the committee, SEVRA retains the core improvements included in the version of the bill introduced in June.<sup>1</sup> These improvements would enable state and local housing agencies to use available funds to help more needy families afford housing, sharply reduce administrative burdens for housing agencies and private owners, strengthen work supports, and provide more flexible and effective assistance to low-income families. Some of the bill's most important provisions would:

- **Establish a stable, fair voucher funding system** that would allocate resources more efficiently, encourage housing agencies to serve as many families as they can with the funds

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<sup>1</sup> The text of SEVRA as introduced is available at <http://thomas.loc.gov/cgi-bin/query/z?c111:HR.3045>. The committee-passed bill is not yet publicly available, but most of the amendments that the committee approved are posted at [http://www.house.gov/apps/list/speech/financialsvcs\\_dem/mrk\\_070809.shtml](http://www.house.gov/apps/list/speech/financialsvcs_dem/mrk_070809.shtml).

they receive, and reduce the chances that agencies will be forced to cut back assistance as a result of funding shortfalls.

- **Simplify rules for setting tenant rent payments** in the voucher program and other housing assistance programs, while continuing to cap rents at 30 percent of the tenant's income.
- **Streamline housing quality inspections** to encourage private owners to rent to voucher holders.
- **Facilitate the use of “project-based” vouchers** to help develop and preserve affordable housing.
- **Expand housing choice** by making it easier for a family with a voucher to make “portability” moves beyond the jurisdiction of the agency that issued the voucher.
- **Support work among housing assistance recipients** by establishing a new earnings disregard and strengthening the Family Self-Sufficiency program so that it will provide employment counseling and financial incentives to a greater number of families.
- **Authorize the creation of 150,000 new incremental vouchers in 2010** to address a portion of the unmet need for housing assistance.

### **Amendment Weakened Some Protections in Demonstration Program**

Unfortunately, the committee accepted a harmful amendment weakening a provision of SEVRA that would expand HUD's Moving-to-Work (MTW) demonstration and rename it the Housing Innovation Program (HIP). MTW, which was established by legislation in 1996, permits HUD to exempt some state and local housing agencies from many federal statutes and regulations, so that the agencies can test innovative housing policies.

The experience with MTW to date raises serious concerns that should be considered in designing any expanded demonstration. MTW allows housing agencies to test policies with risks for low-income families — such as alternative rent systems that require sharply higher payments from some tenants, or time limits on assistance even for working poor families who cannot afford housing on their own. But the impact on low-income families has not been rigorously evaluated and the demonstration therefore has generated few useful policy lessons.

In addition, MTW has permitted housing agencies to divert large amounts of voucher funds (approximately \$950 million from 2005 to 2008) to purposes other than voucher assistance, causing tens of thousands of vouchers to be left unused. In some cases the diverted funds have been spent to renovate public housing developments or for other worthwhile purposes, but they do not appear to have increased the number of needy families assisted — or at least not by nearly enough to offset the loss of assistance from leaving large numbers of vouchers unused.

As introduced, SEVRA's HIP provision would have granted substantial flexibility to housing agencies, but it also contained a number of important improvements designed to ensure that the

new demonstration would be more effective than MTW at generating useful research findings, minimizing risks to vulnerable low-income families, and preventing fund transfers that reduce the number of families assisted. The committee HIP amendment weakened or eliminated several of these improvements. Most significantly, the amendment:

- **Eliminates a requirement that agencies continue to assist 98 percent of the number of families they assisted before entering the demonstration.** Instead, agencies would only have to assist “substantially the same number” of families, a requirement that HUD has at times interpreted to allow cuts as deep as 10 percent.
- **Eliminates a provision limiting diversion of voucher funds to cases where it is necessary to carry out the demonstration.** Allowing broader transfers of funds would likely result in further reductions in the number of families assisted.
- **Authorizes HUD to expand waivers at a later date.** The amendment would allow HUD to provide agencies with additional waivers of federal statutes and regulations part-way through the demonstration. This could make it more difficult for evaluators to assess the effects of the policies being tested. Moreover, HUD’s authority to expand waivers is drafted broadly enough to allow HUD — possibly under a future administration with different policy priorities — to alter substantially the policies agencies can experiment with under HIP.
- **Eliminates a requirement that HUD carry out random assignment evaluations.** The amendment drops language directing HUD to conduct random assignment evaluations whenever such evaluations are appropriate and funds are available. In most cases, random assignment evaluations are the most effective way to generate reliable research finding regarding policies such as time limits, work requirements, and alternative rent system.

It will be important that Congress address the risks posed by these changes as SEVRA moves forward. In addition, Congress could strengthen HIP by **capping the number of families** that can be exposed to the riskiest experimental policies, rather than just capping the number of agencies that can participate. As passed by the committee, SEVRA would permit HUD to allow as many as 80 agencies to participate in HIP (compared to about 30 now participating in MTW), including up to 60 agencies in the main HIP demonstration and up to 20 in a more limited “HIP-lite” component that would not allow agencies to change tenants’ rent payments or impose work requirements or time limits.

This would amount to just 2 percent of housing agencies, but historically HUD has admitted a disproportionately high number of large agencies to MTW. If HUD admitted agencies with roughly the same average size to HIP as it has to MTW, the 60 agencies in the main HIP demonstration would administer about 800,000 vouchers and public housing units — close to one fourth of the total nationally. This would expose far more families to risky policies than is necessary for research purposes. If Congress capped the number of units at HIP agencies, this would ensure both that small and medium-sized agencies have a fair opportunity to participate and that HIP is held to a size appropriate to a demonstration.

## **Committee Added Harmful Identification and Firearm Provisions**

The committee approved two other amendments that would have significant harmful effects if enacted. One amendment would require that all adults in households receiving or applying for Section 8 voucher assistance provide certain specified forms of identification. Proponents framed this measure as an effort to prevent illegal immigrants from receiving housing assistance, although there is no evidence that this occurs in the program.

Indeed, when a similar requirement was recently implemented in Medicaid, studies by the Government Accountability Office, Congressional Research Service, and a number of states showed that the primary impact was on U.S. citizens, tens of thousands of whom were terminated from, or denied entry into, Medicaid, simply because they did not possess the required documents. Groups such as the elderly and African Americans are particularly likely to lose assistance as a result of the identification requirements. People who have mental illnesses, have experienced bouts of homelessness, or lack safe access to their former homes because of domestic violence may also have difficulty producing the required identification.

In addition, the committee passed an amendment that would prohibit property owners, state and local housing agencies, and HUD from placing any restrictions on the otherwise lawful possession or use of firearms in public housing, units rented with vouchers, and other federally assisted housing. This provision would weaken the ability of local housing agencies to maintain security in public housing. In addition, there is some risk it could discourage owners from renting to families with vouchers, since an owner could not place any restrictions on possession and use of firearms by vouchers holders beyond those established by law (even if building rules limit possession or use of guns by other tenants).