The Section 8 Voucher Reform Act

Barbara Sard and Will Fischer

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Background

- Beginning in 2003, the Bush Administration proposed to turn the Section 8 Housing Voucher program into a block grant with few federal rules and also eliminate affordability protections for public housing tenants.
- In 2004 – 2006, funding shortfalls and policy changes caused the loss of housing voucher assistance for about 150,000 families.
- Congress last updated the voucher and public housing programs in 1998. House committee approved SEVRA I in 2006, but no further action.

Legislative Action

- SEVRA II, H.R. 1851, approved by full House July 12, 2007 by bipartisan vote of 333-83.
- Senate version, S. 2684, filed March 3, 2008 by Senator Dodd, chair of Senate Banking Committee, Senator Schumer, chair of the Housing Subcommittee, and several others.
  - Housing Subcommittee of Banking Committee held hearing in April, but no further action taken.
- Bills are similar in most respects.

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SEVRA: Overview of Major Changes

- Streamlines **rent rules** for all major programs while keeping rents based on 30 percent of income.
- Establishes stable, efficient voucher **renewal funding** policy.
- Removes barriers to voucher **portability.**
- Streamlines **inspection** requirements while preserving Housing Quality Standards.
- Strengthens **project-based voucher** option.
- House bill replaces MTW with larger **Housing Innovation Program** (HIP). Senate will add a provision prior to Banking Committee approval.

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SEVRA II: Rent Policy

- Retains Brooke: 30% of income for rent
- House bill allows alternative systems such as flat or tiered rents, if rent for all tenants is same or lower than it would be under the regular rent rules
- Senate bill does not allow new alternative rent options

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Rent Policy – Deductions

- Deductions simplified
  - *Elderly/disabled*: House bill changes standard deduction to $725 (from $400); deducts medical expenses over 10% (rather than 3%) of income.
  - *Work*: House bill deducts up to $1,000 of earned income to replace child care and time-limited earned income deductions.
    - Expansion of earnings deduction to all programs.
  - *Dependents*: House bill increases dependent deduction to $500 (from $480).

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Rent Policy – Deductions 2

- Senate bill makes same deduction changes except:
  - restores child care deduction for expenses over 5 percent of income;
  - limits earned income deduction to $900;
  - raises elderly/disabled deduction to $700 rather than $725;
  - keeps dependent deduction at $480 rather than raising to $500.

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Rent Policy – Process Changes

- Fewer recertifications
  - Fixed income: every 3 years
  - Others: annual, with limitations on required interim changes
    - House: only for annual loss of $1,500+ of adjusted income or increase of *unearned* income of $1,500
    - Senate: threshold reduced to $1,000 with added flexibility to increase rent when earnings increase
- Prior-year income
  - House bill requires use of prior-year earnings and allows use of other prior-year income
  - Senate bill requires use of prior-year income from all sources

Rent Policy – Overall Impact

- CBO estimates that rent provisions will reduce revenues somewhat, but for all programs taken together reduction is offset by targeting changes.
- HUD must report to Congress on impacts on public housing and adjust operating subsidy.
- PHAs will have substantial administrative savings from less frequent recertifications, streamlined deductions and simplified verification options.

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SEVRA II: Voucher Funding Policy

- Renewal funding adjusted *annually* based on leasing and costs in prior calendar year, adjusted for project-based voucher commitments and new and absorbed vouchers.
  – Similar to 2007 and 2008 appropriations bills, but important to establish stable policy in authorizing law.
- Funds additional subsidy costs related to portability and FSS through recaptures
  – Senate bill uses concept of "offsets," like 08 appropriations bill.
- Remaining recaptured/offset funds (and any "excess" renewal funds) reallocated to high-utilizers and (in Senate draft only) based on need.
- Funding reduced pro rata if appropriations insufficient.

Voucher Funding Policy - 2

- Establishes protected level of reserves:
  - 1st year: 12.5 percent (1.5 months)
  - 2nd year (Senate only): 7.5%
  - Then 5 percent. No additional funding to restore reserves.
- Advance mechanism to borrow up to 2% of funding in last quarter if reserves insufficient to meet costs
- No voucher "cap" and all vouchers used eligible for renewal funding except:
  - Vouchers funded out of agency reserves above 103% of authorized level (in House bill limitation only applies in 2nd year);
  - Vouchers funded by non-Section 8 funds (unless due to funding cut).

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Portability

- Key feature of voucher program is family option to choose where to live, without limitation to agency "jurisdiction."
  - Potential not fully realized.
- Administrative barriers and burdens overcome by requiring and funding *absorption* of ported vouchers.
  - No adverse impact on existing waiting lists.
  - Senate bill requires transition period and allows HUD to suspend mandatory absorption, with notice, if insufficient funds.

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SEVRA II: Inspections

- Retains federal Housing Quality Standards
- PHA may rely on inspections performed for other housing assistance programs using comparable (or higher) standards
- PHA may permit household to move into a unit that fails initial inspection for non-life-threatening reasons, with subsidy continued if conditions fixed within initial 30 days

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SEVRA II: Ongoing Inspections

- Allows *bi-annual* inspections (currently annual).
- *PHA option to use subsidy funds* to fix defects that owner doesn't cure; Senate bill limits to life-threatening conditions.
- If defects remain after abatement period, family must be given *assistance to move* with voucher (using 2 months of abated subsidy funds).
  - *Abatement period*: House – 60 + days; Senate – 120 days, no extension.
  - *Search period*: House – at least 90 days *after* expiration of abatement period; Senate – at least 120 days from beginning of abatement period, with extensions at option of family.

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Project-based Vouchers: Provisions Enacted in 2008

- The Housing and Economic Recovery Act of 2008 (P.L. 110–289) included the following provisions from SEVRA:
  - Initial maximum term increased from 10 to 15 years with more flexible extensions
  - Permit guaranteed rent floor despite FMR reductions
  - Share of units that can have PBVs measured by project (not building)
  - Allow use in co-ops and elevator buildings
  - Streamline subsidy layering and environmental reviews
  - Clarify allowable rents in LIHTC units

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Project-based Vouchers – both bills, remaining proposals

- Allow project-basing of 25% (rather than 20%) of funds, plus 5% for homeless
- "Income-mixing" - add exceptions for small projects and tight market areas
- Permit owner-managed site-based waiting lists

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Project-based Vouchers – Senate only

- PBVs in lieu of enhanced vouchers, at option of PHA and owner/preservation purchaser
- Allow project-basing in PHA-owned units without competitive process, under specified conditions.
- To promote housing and economic mobility, a PHA may transfer vouchers for project-basing by another PHA in same or adjacent area.

Moving to Work Demonstration

- Current demonstration under a 1996 appropriations act has 25 agencies (with more than 10% of all public housing and voucher units), plus 4 PHAs allowed by 08 appropriations bill.
  - No clear findings on impacts due to demo design and HUD implementation (except for Jobs Plus component).

MTW/HIP

- H.R. 1851 authorizes a Housing Innovation Program (HIP) for 10 years.
  - Combines security for current agencies, increased tenant protections, enhanced tenant and community participation, and evaluation with expansion to a maximum of 60 “full HIP” agencies plus 20 “HIP-lite” PHAs.
    - In HIP-lite can mix public housing and voucher funding, but cannot change rent policies, impose time limits or work requirements, or alter most voucher program rules.
- Senate bill does not contain HIP provision, but it is expected that one will be added by mark-up.

SEVRA II: Eligibility and Targeting

- Targeting
  - Higher of 30% of AMI or federal poverty line
    - Primarily affects rural areas and larger BR sizes
- Ongoing eligibility limit of 80% of AMI
  - Now limit only at admission
  - Optional for public housing and project-based §8
  - Does not apply to enhanced vouchers
- Asset test
  - $100,000, excluding retirement and FSS accounts
  - Optional for public housing
  - May not own real property unless it is assisted under USHA (time allowed for sale; DV exception)

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SEVRA II: Rent burdens and Concentration

- Require annual reports on **rent burdens** and concentration of voucher holders. PHA consideration of payment standard increases to alleviate problems.
  - Rent burden trigger:
    - House – above average share of families paying more than 30% or more than 40% of income
    - Senate – more than 5% of families pay more than 40%
  - HUD approval up to 120% of FMR when rent burdens exceed trigger. Senate bill imposes prerequisites.

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SEVRA II: Other Provisions

- Authorization for 20,000 **incremental vouchers** in each of next 5 years. (Senate bill adds preferences for preservation and entities that operate on a regional basis.)
- **Required replacement** of all lost federally assisted units with tenant protection vouchers
- Restore **administrative fees** based on vouchers leased (Senate bill allows HUD to revise the formula)
- More stable **FSS coordinator funding** distributed by formula through administrative fee.

SEVRA II: Other Provisions cont'd

- Smaller area **fair market rents**
- Establish statutory **performance goals,** including deconcentration. Senate adds compliance with targeting.
- Ability to use vouchers to cover **mobile home** costs.
- Required **identification** for all adults (could deny/terminate assistance for some citizens as well as mixed households). House bill only.

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SEVRA II: Other Provisions - Senate bill

- PHA **authority to make utility payments** when owner is responsible but fails to pay
- Study on **discrimination against voucher holders** in LIHTC and HOME units

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Other Senate Provisions Enacted in 2008

- The Housing and Economic Recovery Act of 2008 (P.L. 110–289) also included the following provisions from the Senate SEVRA bill:
  - Require collection of **data on LIHTC tenants**
  - Prohibit **rents above both voucher payment standard and tax credit maximum**
  - Deem rents at or below rents charged in other LIHTC units to be reasonable.

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For more information on SEVRA, see Center paper at http://www.cbpp.org/3-10-08hous.htm, and side-by-side comparing House and Senate bills with current law at http://www.cbpp.org/3-10-08hous-tables.pdf.

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