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SENATE FUNDING BILL IMPROVES ON PRESIDENT'S BUDGET REQUEST FOR RENTAL ASSISTANCE

Senate Rejects Harmful Minimum Rent Proposal

By Douglas Rice

The Senate Committee on Appropriations has approved funding legislation for the Department of Housing and Urban Development (HUD) that improves upon President Obama's budget request for fiscal year 2013 in several ways, including:

- **Providing $17.5 billion for the renewal of Housing Choice Vouchers**, $250 million above the Administration's request and the 2012 funding level.[1] The Senate bill thereby takes a big step toward filling a major gap in the Administration's request, although $17.5 billion remains at least $200 million short of what will be needed to fully renew assistance for low-income families using vouchers, according to the Center's preliminary estimates.

- **Increasing the President's request for Section 8 Project-Based Rental Assistance by nearly $1.2 billion to $9.9 billion** and rejecting the Administration's plan to "short fund" contract renewals in fiscal year 2013 to make up for inadequate funding.

- **Rejecting the Administration's proposal to impose a mandatory minimum rent of $75 per month**, which would have raised rents by at least 50 percent, on average, for approximately 500,000 of the poorest HUD-assisted families.

The Senate Committee should be commended for prioritizing the renewal of rental assistance for low-income families in a difficult budget year. The bill adopts a number of important policy changes that will reduce rental assistance program costs without harming vulnerable low-income families. Moreover, it makes these improvements while largely meeting the President's request in other areas of the HUD budget.

The Senate bill falls short, however, in meeting other important goals. Most conspicuously, it includes only $6.6 billion for public housing operations and capital needs, slightly less than the President's request and well below the amount required by state and local housing authorities to

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[1] For an analysis of the Obama Administration's budget request for HUD's major rental assistance programs, see Douglas Rice and Barbara Sard, "President's Budget Not Sufficient to Renew Rental Assistance Fully for Low-Income Households," Center on Budget and Policy Priorities, March 14, 2012, http://www.cbpp.org/cms/index.cfm?fa=view&id=3701.

maintain existing housing in good condition and prevent the further loss of developments due to deterioration.

In light of the increasingly challenging budget outlook, it is important that Congress pass a more substantial package of reforms in low-income housing programs such as the Affordable Housing and Self-Sufficiency Improvement Act — bipartisan legislation (discussed below) that is broadly supported by a wide range of key program stakeholders has been approved by a House subcommittee on a bipartisan basis, and would improve program efficiency and produce modest savings without harming vulnerable families.

Senate Bill Increases Funding for Vouchers, But More Funds May Be Needed to Prevent Families From Losing Assistance in 2013

The Senate bill provides $19.4 billion for Housing Choice vouchers in 2013, including $17.5 billion to renew the nearly 2.2 million vouchers currently used by low-income families.[2] Housing agencies' renewal funding eligibility in 2013 would be based on the number of families using vouchers and the cost of those vouchers in calendar year 2012, adjusted by inflation factors determined by HUD.[3] The Senate bill does not authorize HUD to reduce renewal funding for housing agencies with excess reserves, as HUD requested (more on this below).

Table 1:
Proposed Funding for Housing Choice Vouchers

	2012	Obama 2013	Senate 2013
Total	$18,914	$19,074	$19,396
Renewals	*$17,242*	*$17,238*	*$17,495*
Administrative expenses	*$1,350*	*$1,575*	*$1,575*
Tenant protection vouchers	*$75*	*$75*	*$80*
Vouchers for people with disabilities (Section 811 renewals)	*$112*	*$111*	*$111*
New vouchers for veterans (VASH)	*$75*	*$75*	*$75*
*Family Self-Sufficiency coordinators**	*$60*	*$60*	*$60*

* The Administration's request for Family Self-Sufficiency Coordinators was made under a separate account.

The Senate bill would increase funding for housing voucher renewals by $253 million (1.5 percent) in 2013, compared to the 2012 funding level of $17.2 billion. But the Committee report

[2] The Senate bill also provides $1.58 billion for agency administrative expenses, $111 million for the renewal of Section 811 mainstream vouchers, $80 million for tenant protection vouchers, $75 million for approximately 10,000 new vouchers for homeless veterans (VASH), and $60 million for family self-sufficiency coordinators.

[3] Agency renewal funding eligibility would also be adjusted for the first-time renewal of tenant protection and HOPE VI vouchers. In addition, the bill sets aside $75 million for funding adjustments for increased costs due to "unforeseen circumstances," portability, commitments of project-based vouchers that are not yet leased, and costs associated with HUD-VASH vouchers.

accompanying the Senate bill suggests that the Committee will review updated program cost data as they become available and make adjustments, if necessary, to ensure adequate funding for renewals:

> [T]he Committee has worked to provide sufficient resources to…ensure that no current voucher holders are put at risk of losing their housing…The Committee will continue to monitor both leasing data and reserve balances to ensure sufficient funding for the program.[4]

Housing agencies are likely to need additional renewal funds to prevent a reduction in the number of families receiving voucher assistance next year. Private market rental housing costs are rising at an annual rate of more than 2 percent, according to the latest Consumer Price Index data. Changes in voucher program costs track changes in market rental costs, as well as resident incomes.[5]

In addition, the number of low-income families using vouchers will likely increase somewhat in 2012, thereby increasing the cost of renewals in 2013. This is because Congress provided single-year funding for approximately 60,000 new housing vouchers in 2011 and 2012 to reduce homelessness among veterans and to protect residents and communities that lost affordable housing when public housing was demolished or owners of other assisted housing chose not to renew their assistance contracts with HUD. Many of these vouchers will have to be renewed in 2013 to continue assistance to low-income families, thereby adding as much as 2 percent to renewal costs.

Overall, we estimate that voucher renewal costs will increase to at least $17.7 billion, and could rise to as much as $17.9 billion in 2013 — or $200 million to $400 million more than the Senate bill provides. Put another way, we estimate that renewal funding would fall 1 percent to 2 percent short of housing agencies' need under the Senate bill, leaving 25,000 to 50,000 housing vouchers currently used by low-income families unfunded.

As discussed in greater detail below, the Senate bill would ease the income-targeting rules in the voucher program, which ensure that at least three-quarters of newly-admitted families have extremely low incomes. The Congressional Budget Office (CBO) estimates the change could reduce renewal costs somewhat in the first year, and, in theory, such savings could help to close a renewal funding shortfall. In practice, however, the savings from the policy change will not be able to be realized in the first year unless HUD can determine an accurate way to predict the magnitude of potential savings *at individual housing agencies* and target funding reductions to those agencies. In any case, as the Senate report notes, any current projection of voucher renewal costs in 2013 is preliminary. A more precise estimate must await the availability of voucher and leasing cost data for the first half of 2012, which will be available in late summer.

"Reserve Offset" Could Reduce Renewal Shortfall under Senate Bill Funding Level

The Administration's budget requested legislative authority to reduce renewal funding eligibility for housing agencies with excess reserves of unspent assistance funds. So-called "reserve-offset" authority would enable HUD to require housing agencies to spend excess reserves to cover a

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[4] See Senate Report 112-157.

[5] Low-income families use vouchers to rent housing in the private market, contributing roughly 30 percent of household income for housing costs. The voucher subsidy fills the gap between this contribution and the actual rental cost, within reasonable limits set by HUD and the local housing agency.

portion of their renewal costs, thereby reducing any renewal funding shortfall at agencies with low reserve levels. Indeed, we estimate that reserve-offset authority could reduce the projected renewal funding shortfall in the Senate bill by approximately $200 million, while leaving agencies with sufficient reserves.[6] While the Senate Committee declined to authorize HUD to offset agency voucher reserves, the Senate report states that the Committee intends to monitor agency reserve levels. This implies that the Committee might include reserve-offset authority in the final bill, if excess reserves are available and such authority is needed to prevent renewal funding shortfalls at agencies with low reserve levels.

Three Major Programs Help 4.5 Million Low-Income Families Rent Affordable Housing

Nearly 90 percent of all families that receive federal rental assistance are served by one of HUD's three major programs:

The **Housing Choice ("Section 8") Voucher** program will assist nearly 2.2 million low-income families in 2012, almost twice as many as the next-largest federal rental assistance program. Roughly half of these households are headed by seniors or people with disabilities, and more than 40 percent are headed by non-elderly, non-disabled adults with children. Both rigorous research and surveys of local practitioners have confirmed that vouchers are highly effective at reducing homelessness.*

The **Section 8 Project-Based Rental Assistance (PBRA)** program provides rental assistance payments to private owners of 1.2 million units of affordable housing. Two-thirds of the residents of PBRA housing are low-income seniors or people with disabilities.

Public housing provides affordable homes to 1.1 million of the nation's poorest residents. More than half of these households are headed by seniors or people with disabilities.

* See Jill Khadduri, "Housing Vouchers Are Critical for Ending Family Homelessness," National Alliance to End Homelessness, January 29, 2008, http://www.endhomelessness.org/content/article/detail/1875; and the U.S. Conference of Mayors, "Hunger and Homelessness Survey, a Status Report on Hunger and Homelessness in America's Cities," December 2011, 28.

Senate Bill Restores Full Funding for Section 8 Project-Based Rental Assistance, Rejecting the Administration Proposal to "Short Fund" the Renewal of Assistance Contracts

The Administration's budget requested $8.7 billion for Section 8 Project-Based Rental Assistance (PBRA), including $8.4 billion for contract renewals and amendments, a reduction of $610 million from the 2012 renewal level. In budget documents and briefings, HUD acknowledged that the amount requested would be inadequate to cover the full renewal costs for all Section 8 PBRA contracts. Instead, HUD proposed to "short fund" Section 8 PBRA renewals — that is, to shift a portion of the costs of renewing contracts expiring in fiscal year 2013 into the following fiscal year.

[6] This assumes that reserve amounts exceeding 6 percent of an agency's renewal funding eligibility would be subject to offset, as, for instance, they would be under the Affordable Housing and Self-Sufficiency Improvement Act (discussed below).

Because the renewal periods of most Section 8 PBRA contracts do not align with the federal fiscal year, housing assistance payments made during a given fiscal year are funded partly from appropriations for the prior fiscal year and partly from appropriations for the given fiscal year. The Administration's proposal would shift the timing of a portion of the appropriations required to make payments during fiscal year 2014. Specifically, a smaller share of assistance payments in fiscal year 2014 would be funded from the fiscal year 2013 appropriation, and a proportionally larger share would be funded from the fiscal year 2014 appropriation. While this approach would temporarily reduce the amount of annual budget authority appropriated for Section 8 PBRA renewals, the savings would be on a one-time basis; in future years, Congress would have to restore annual budget authority for renewals to its original level (with adjustments for inflation, the number of renewal units, etc.). Otherwise, a substantial loss of assisted rental units would result, along with a substantial reduction in the number of low-income households assisted.[7]

The Senate Appropriations Committee soundly rejected HUD's proposal to short fund Section 8 PBRA renewals, and increased funding to $9.9 billion, nearly $1.2 billion above the Administration's request, to ensure the renewal of all contracts for 12 months.[8] In defending its action, the Committee report cited concerns that "short funding" would generate unnecessary administrative costs for HUD and undercut the confidence of owners, investors, and lenders in the program.

The Senate Committee's decision was wise. Program stakeholders are well aware of the enormous challenges confronting the federal budget. A decision by Congress to short fund Section 8 renewals in 2013 could signal a growing risk that Congress may decide in the near future that it will no longer fully fund contract renewals. Because Section 8 PBRA contracts are used to underwrite loans and investments required to rehabilitate aging Section 8 properties, such fears could make it more difficult or expensive for owners to secure the capital they need to maintain their developments in good condition. They could also discourage some owners from renewing their assistance contracts at expiration, thereby reducing the number of Section 8 PBRA units available to low-income families.

Severe Underfunding of Public Housing Would Continue Under Senate Bill

The Senate bill provides $4.6 billion for the public housing operating fund in 2013, $67 million (or 1.5 percent) more than the Administration's request. As explained below, the Senate bill would also mandate a change in the level of flat and ceiling rents — set amounts determined by a local housing authority as an optional alternative to a rental charge set at 30 percent of adjusted household income — that would increase rent revenues for public housing agencies and reduce the amount of federal subsidy required to cover operating costs by $150 million in 2013, according to HUD's estimates. Taking these savings into account, the Senate bill provides about $350 million less than the estimated amount for which agencies will be eligible under HUD's operating cost formula, resulting

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[7] The proposed short funding of contract renewals affects only the timing of appropriations of budget authority and has no effect on actual program spending (outlays) in any year.

[8] The Senate bill also authorizes HUD to collect "excess" funds in residual receipt accounts, which contain project revenues net of mortgage payments and certain other financial obligations, to offset the cost of fully renewing Section 8 contracts. HUD estimates that such an offset would reduce the amount of renewal funding required in fiscal year 2013 by several hundred million dollars. The Senate report also endorses various other savings proposals included in the HUD budget.

in a funding proration of approximately 93 percent.[9] This would be the second consecutive year in which agencies experienced operating fund shortfalls; the 2012 funding level is expected to fall nearly $1 billion short of the amount agencies are due (though agencies will be able to meet a majority of the shortfall with existing reserves). Unlike the 2012 appropriations act, the Senate bill does not propose to draw on agencies' operating reserves to offset the shortfall.

The Senate bill also provides $1.99 billion for the public housing *capital* fund, which would increase funding for capital repairs by nearly $110 million above the 2012 level. This would still fall far short of the $3.4 billion in new renovation needs that a recent HUD study estimates accumulate in public housing each year, let alone address the program's estimated $26 billion backlog of unmet capital needs.[10]

Finally, the Senate bill sets aside $50 million from the capital fund to support resident services, and an additional $15 million for competitive grants for a new pilot initiative proposed by the Administration and modeled on the Jobs-Plus demonstration. Under Jobs-Plus, public housing residents were offered job search and other employment services, financial incentives to increase earnings, and peer-group information exchanges about job opportunities and related topics. The results of the rigorous evaluation of the demonstration were promising, particularly in light of the mixed record of employment programs: as of 2006, residents at the demonstration sites had earned $1,300, or 16 percent, more per year over the seven-year period studied by researchers than had residents at control sites.[11]

Overall, the funding that the Senate bill provides for public housing falls well short of need, as the Committee report concedes. Coming on top of reductions in capital funding for public housing over the past decade, the proposed funding levels would expose 1.1 million low-income households to deteriorating living conditions and potential safety hazards. These funding levels likely would also lead to increased federal costs in the future by forcing agencies to delay modest repairs that would avert more costly damage, such as fixing leaking roofs. Finally, if repairs continue to be deferred, housing agencies will eventually be compelled to demolish or sell developments — displacing families from their homes, eliminating needed affordable housing, and squandering decades of federal and local investment.[12]

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[9] This is based on estimates provided by HUD in the Administration's FY 2013 budget.

[10] The Senate bill does not authorize housing agencies to combine operating and capital funds, as requested by the Administration.

[11] These results are for the three sites that fully implemented the Jobs-Plus model. See James A. Riccio, "Sustained Earnings Gains for Residents in a Public Housing Jobs Program," *MDRC Policy Brief*, January 2010. This initiative represents a worthwhile investment to support work among assisted housing residents, but the Senate bill provides overly broad authority to HUD to exempt housing agencies from existing rules concerning the determination of tenant rents. Some waiver authority is needed — for instance, to exempt participating residents from some rent rules to provide them with financial incentives to increase earnings — but the Senate provision would go far beyond this, creating unnecessary risks for assisted residents, and should be narrowed.

[12] The Rental Assistance Demonstration (RAD) authorized by Congress in the 2012 appropriations law should enable approximately 5 percent of public housing units to be rehabilitated and preserved under a new project-based rental assistance contract model of funding. While the RAD model is promising, Congress should provide adequate funding to keep the remaining 95 percent of the public housing stock in adequate condition while the model is being tested.

Senate Bill Advances Policy Changes to Reduce Costs, But More Comprehensive Reform Is Needed

The Administration's fiscal year 2013 budget proposed a series of changes in the authorizing statutes intended to reduce costs in HUD's major rental assistance programs.[13] As explained below, the Senate Committee wisely declined to include two of the proposals in its bill that could have led to higher rents on vulnerable HUD-assisted households. The Senate bill does, however, adopt a number of helpful provisions advanced in the Administration's budget:

- **Easing income-targeting rules in the voucher program.** Under the U.S. Housing Act, 75 percent of the new admissions to each agency's Housing Choice voucher program must have "extremely low incomes" (ELI), defined as incomes no greater than 30 percent of the HUD-determined area median income (AMI). Agreeing to the Administration's request, the Senate bill would modify the definition of ELI households to include those with incomes no greater than 30 percent of AMI or the federal poverty line, whichever is higher.

  This change would enable housing agencies to issue more housing vouchers to working-poor families in areas where median incomes are low. Because such households would have slightly higher incomes, on average, than those admitted under the current ELI definition, the cost of the vouchers they would use would be somewhat lower. CBO has estimated that this change would reduce program costs by roughly $200 million per year once it is fully implemented.[14]

- **Requiring flat or ceiling rents in public housing to be closer to market levels.** To encourage a mixture of incomes among public housing residents, HUD rules permit residents to elect to pay a "flat rent," as described above. This policy benefits residents with the highest incomes (who would pay less than 30 percent of their income for housing under the policy) but has been considered reasonable because HUD rules require that flat rents be set at the "estimated rent for which the [agency] could promptly lease the public housing unit" — that is, at the approximate market rent. Data suggest, however, that existing flat rents are well below market rents in some areas, which increases federal costs and the funding shortfalls for public housing agencies.

  The Senate bill adopts the Administration's proposed statutory change to require public housing agencies to set flat or ceiling rents at no less than 80 percent of the HUD fair market rent for the area.[15] The bill also directs HUD to take the policy change into account in determining agency funding eligibility in 2013. HUD estimates that the provision would reduce

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[13] For a more extensive discussion of these proposals, see Douglas Rice and Barbara Sard, "President's Budget Not Sufficient to Renew Rental Assistance Fully for Low-Income Households," Center on Budget and Policy Priorities, March 14, 2012, http://www.cbpp.org/cms/index.cfm?fa=view&id=3701.

[14] As explained above and in our March 14 paper on the Administration's budget request (see the previous note), while the change in targeting would reduce renewal costs in 2013, it is unclear that HUD could accurately adjust individual housing agencies' renewal allocations to anticipate the expected savings. It would therefore be unwise for Congress to reduce renewal funding overall in 2013 in anticipation of such savings.

[15] The flat rent option was authorized by the Quality Housing and Work Responsibility Act of 1998 (QHWRA). HUD's proposal would also apply to "ceiling" rents, which were authorized prior to the enactment of QHWRA.

public housing operating costs by $150 million in the first year and by more than $400 million per year once the proposal is fully phased in.[16]

- **Reducing the frequency of housing quality inspections in the voucher program.** The Senate bill revises the authorizing statute to require inspections of properties where housing vouchers are used on a biennial, rather than annual, basis and to allow housing authorities to rely on inspections performed under other programs to meet this requirement, if the agency certifies that the requirements are at least as stringent as the voucher program quality standards. To protect tenants, the Senate bill also requires housing agencies to perform interim inspections, if requested by the tenant or a government official.

  Housing quality inspections are a major administrative cost for housing agencies, and these policy provisions will significantly reduce the number of inspections that housing agencies must perform. As a result, they would help to mitigate the effects of continuing shortfalls in administrative funding.

These worthy cost-saving provisions are also included in comprehensive rental assistance reform legislation being considered in the House. As explained below, this legislation — which a House subcommittee recently approved on a bipartisan basis and the full House Financial Services Committee is expected to consider soon — includes important additional provisions to streamline the administration of rental assistance, make it more effective for assisted households, and shave costs.

Committee Report Cites Concerns about HUD Proposals to Raise Rents on Vulnerable Families

The Administration's budget included two other proposals to reduce program costs by raising rents on vulnerable HUD-assisted households. These proposals were not adopted by the Senate Committee:

- **Mandatory minimum rent of $75 per month for all HUD-assisted families.** The budget proposed to increase the minimum rent for assisted families to $75 per month, regardless of how little income they may have, and eliminate housing agency discretion to set the minimum rent below that cap. Under current law, agencies may (but are not required to) set a minimum rent of up to $50 per month for households in the public housing and housing voucher programs, and HUD has established a minimum rent of $25 for households in project-based Section 8 units.

- **Reduced deduction of medical expenses from income.** The budget also proposed to reduce the amount of medical expenses that elderly and disabled households may deduct from income for the purpose of determining their rental payments. Under current law, these

[16] As proposed by the Administration, the Senate bill would require public housing agencies to implement the policy no later than September 30, 2013, which would allow agencies to phase the policy in over the first year. In addition, the bill limits any increases in rental payments by affected households to 35 percent per year. The Senate bill also includes a provision requested by the Administration that would allow consortia of public housing agencies to contract with HUD to administer public housing as a single entity. This change — particularly when combined with existing statutory flexibility for the voucher program — would facilitate administrative streamlining to reduce administrative costs.

households may deduct unreimbursed medical and related expenses above 3 percent of income. The Administration's budget proposed raising this threshold to 10 percent of income, which would reduce the amount that can be deducted and thereby increase households' rental payments.

The Senate bill includes neither of these provisions, and the Committee report explains why:

> [T]he Committee has not included certain authorizing provisions proposed in the budget, including mandating new or higher minimum rents. [HUD] has not provided sufficient assurance to the Committee that implementation of the minimum rent provision would not adversely affect vulnerable tenants. Given that Section 8 tenants have an average income of $12,549 and some have no income, the Committee does not feel it is responsible to mandate new or higher contributions from the program's poorest families.

The Senate Committee's concerns are well founded. A mandatory minimum rent of $75 per month would impose rent increases of 50 percent or more on approximately 400,000 of the poorest recipients of housing assistance, exposing them to additional hardship. Another 100,000 or more households with very low incomes would face somewhat smaller rent increases. While HUD rules include a "hardship" exemption intended to protect the poorest households from unaffordable rent burdens, the existence of such exemptions is not widely known among tenants, the criteria for such exemptions are vague, and exemptions are rarely granted.[17]

Raising the threshold for deductions of medical expenses would increase rent burdens for more than 700,000 low-income elderly and disabled households by an average of $240 per year, according to HUD estimates. While Congress and stakeholders have broadly supported similar proposals in authorizing legislation as a way to reduce administrative burdens for housing agencies and private owners of assisted housing, they have done so only where the change has been coupled with other measures that would mitigate the potential harm to vulnerable people. For instance, the Affordable Housing and Self-Sufficiency Improvement Act (AHSSIA, discussed below in more detail), balances the rent increases that would result from raising the threshold for medical expense deductions with rent reductions via an increase in the standard deduction available to elderly and disabled households in rental assistance programs. AHSSIA would also authorize HUD to establish a hardship exemption policy for some residents with high medical costs. The more balanced approach taken in AHSSIA would considerably reduce the savings that would accrue to HUD rental assistance programs but would mitigate the negative consequences for vulnerable elderly and disabled households.

More Comprehensive Reform Is Needed to Streamline Programs, Reduce Administrative Costs, and Support Work

The task of identifying and adopting reforms that improve program effectiveness and minimize unnecessary costs has become more urgent in the context of the budgetary constraints imposed by the Budget Control Act of 2011. In this context, HUD's rental assistance programs face major budget pressures over the next decade, including cost pressures driven by rising rents in the private

[17] See Barbara Sard, "President's Proposal to Raise Rents on some of the Nation's Poorest Households Would Cause Serious Hardship," Center on Budget and Policy Priorities, March 20, 2012, http://www.cbpp.org/cms/index.cfm?fa=view&id=3706.

market, a multi-billion-dollar backlog of capital repair needs in public housing, and growing demands for rental assistance that far outstrip the supply. If federal rental assistance programs are to avoid reductions in assistance that would increase hardship for vulnerable households, Congress and HUD must take steps to improve program efficiency.

The important set of policy changes included in the Senate bill advances this goal. But it is critical for Congress to adopt a broader package of reforms that make the rental assistance programs more effective, reduce administrative burdens for housing agencies, and reduce costs without harming needy families and individuals. Fortunately, substantial bipartisan consensus exists on a reform package developed by the House Financial Services and Senate Banking Committees based on several years of intensive discussions with stakeholders. The latest iteration of this package is the Affordable Housing and Self-Sufficiency Improvement Act (AHSSIA) sponsored by Rep. Judy Biggert, chair of the House Subcommittee on Insurance, Housing, and Community Opportunity, which recently approved the bill.[18] This package includes the following beneficial provisions, in addition to some of those already included in the Senate HUD appropriations bill:

- **Streamlined rent rules.** AHSSIA would reduce the frequency of income recertifications for fixed-income households and otherwise streamline the calculation of rental payments for households participating in the Housing Choice Voucher, Section 8 PBRA, and public housing programs. Like the Senate appropriations bill, AHSSIA also reduces the frequency of housing quality inspections. In combination, the inspection and rent rule changes would reduce administrative burdens significantly for agencies, tenants, and owners. (AHSSIA also includes the flat/ceiling rent provision included in the Senate funding bill.)

- **A stable Housing Choice voucher renewal funding policy** that would minimize funding volatility for housing agencies and encourage them to use available funds efficiently to serve a maximum number of needy families. For instance, AHSSIA clarifies that agencies would be allowed to maintain modest funding reserves, but excess reserves would be subject to offset. In most respects, the AHSSIA funding policies adhere to those set in annual appropriations acts in recent years, which have been responsible for considerable improvements in program performance. Incorporating these policies into the authorizing statute would make funding more predictable and reliable for housing agencies.

- **Strengthened work supports.** AHSSIA requires every large public housing agency to offer (or expand) a Family Self-Sufficiency (FSS) program if Congress provides funding for necessary staff, and extends eligibility to families receiving assistance from the Section 8 PBRA program. (FSS provides housing assistance recipients job counseling and incentives to work and to save.) In addition, AHSSIA directs HUD to report annually on cooperation agreements between housing agencies and local welfare, workforce, and education agencies that provide supportive services to residents, and to carry out a rigorous demonstration to test policies to promote self-sufficiency. (AHSSIA also includes the Senate bill provision modifying income targeting in the voucher program to enable housing agencies to serve more working poor families.)

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[18] These comments refer to the substitute amendment circulated by Rep. Biggert on April 13, 2012. The amendment, as well as a side-by-side comparison of the amendment with current law, are available at http://www.cbpp.org/research/index.cfm?fa=topic&id=143.

- **More flexibility to use vouchers to support affordable housing development and preservation.** AHSSIA expands agencies' ability to enter into "project-based voucher" agreements for specified purposes. These agreements can set aside vouchers, for example, to subsidize mixed-income housing in a neighborhood with strong schools and low crime, or to partner with a social service agency to provide supportive housing to formerly homeless people.

Because the authorizing committees have engaged in an extensive vetting process, there is broad consensus among stakeholders in support of these reforms, which together would reduce rental assistance program costs by more than $1.5 billion over the first five years. In view of the budget pressures these programs face, it is important for Congress to pass this legislation.