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The Section 8 Housing Voucher Program: Reform Proposals

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Summary

The Bush Administration has proposed eliminating the Section 8 Housing Choice Voucher program and replacing it with a new program in each of the past several years. While the specifics have changed, each proposal would significantly alter key features of the current program, including its administration, funding distribution, tenant contributions toward rent, initial and ongoing eligibility of families, and the eligible uses of program funds.

The first proposal was referenced in the President's FY2004 budget request and was later introduced in the 108th Congress (H.R. 1841/S. 947). Called the Housing Assistance for Needy Families Act of 2003, it would have created a new block grant administered by states — rather than the local public housing authorities (PHAs) that administer the current program — and eliminated many of the current rules governing the program. Hearings were held on the legislation, although no further action was taken.

Language to enact the second proposal, called the Flexible Voucher Program (FVP), was included in the Administrative Provisions section of the President's FY2005 budget request. Under the FVP, PHAs would have retained administration of the new grant program, although most of the federal Section 8 voucher rules and regulations would have been eliminated. The Appropriations Committees did not include the language in their versions, nor the final version, of the FY2005 HUD budget. Authorizing legislation was not introduced in the second session of the 108th Congress.

The President's FY2006 budget request again called for enactment of a Flexible Voucher Program. During the first session of the 109th Congress, a modified version of the FVP was included as Title I of the State and Local Housing Flexibility Act of 2005 (H.R. 1999/S. 771). The House Financial Services Committee held hearings on the bill, although no further action has been taken. The President's FY2007 budget request reiterates the Administration's support for the State and Local Housing Flexibility Act.

This report includes a table comparing the key features of the recent proposals, and will be updated to track relevant legislative activity.

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The Section 8 Housing Voucher Program: Reform Proposals

Current Program Features

The Section 8 Housing Choice Voucher program has come under increasing criticism from the Administration and Congress for its cost and its complexity. Recent changes in the way the program is funded have largely addressed concerns at the federal level about “spiraling costs”; however, the new funding structure has not reduced budget pressures for the local public housing authorities (PHAs) that administer the program.¹ Noting these concerns, the Administration has argued in each of the past several years that the existing Section 8 voucher program should be dismantled and replaced with a new, broader-purpose grant program. While the Administration’s reform proposals have changed every year, each has proposed to alter several key characteristics of the current program, which are discussed below.

Administration. The current Section 8 Housing Choice Voucher program, and its approximately 2 million vouchers, are administered by more than 2,500 local PHAs across the country. PHAs vary greatly both in their size and their capacity. Some administer as few as 10 vouchers, while one PHA, the New York City Housing Authority, administers almost 90,000. Half of all PHAs administer 250 or fewer vouchers.² Some PHAs have a full-time director and a large staff; others have one person serving part-time as director and staff.

This heterogeneity has been criticized by some researchers, housing advocates, and the Administration. They argue that housing markets are regional, and thus that housing programs should be administered on a regional level. They point out that most other social service programs serving the low-income population — such as Temporary Assistance for Needy Families, Child Care Assistance, and Food Stamps — are administered at the state level. If the voucher program were administered at the state level, they contend, it might be easier to coordinate it with other services.

The organizations representing PHAs have disagreed, arguing in favor of the current locally driven and focused system. PHAs have important local connections

¹ For more information, see CRS Report RS22376, *Changes to Section 8 Housing Voucher Renewal Funding, FY2003-FY2006*, by Maggie McCarty.

² Written Testimony, Michael Liu, Assistant Secretary for Public and Indian Housing, Department of Housing and Urban Development, hearing before the Housing and Community Opportunity Subcommittee of the House Financial Services Committee, May 22, 2003.

with entities ranging from landlords to local zoning boards, connections that states, they contend, would not have.³

Eligible Uses of Funds. Today's voucher program provides a defined subsidy, called a voucher, that a family can use to help pay its housing costs in the private market. That voucher pays roughly the difference between rent and a portion of income. In some cases, families can use their vouchers to help pay for a mortgage, but only if their PHA chooses to run a homeownership voucher program. PHAs receive some additional funds through the family self sufficiency (FSS) program and administrative fees, which they can use for other purposes, such as providing supportive services, downpayment or security deposit assistance, or housing search assistance. This system is governed by hundreds of pages of regulations and guidance that make the program, some argue, overly prescriptive and difficult to administer. The Administration and PHAs agree that the current structure limits the ability to undertake innovative initiatives.

Reflecting this concern, the Administration has proposed redefining the concept of a voucher by instead providing funds that could be used for rental assistance, homeownership assistance, and supportive services, as defined by the grantee. A "voucher" would no longer have uniform meaning, and PHAs could provide more or less generous assistance to families at their discretion, outside of most current federal rules (i.e., quality standards, portability, income targeting, income-based rent, etc.). Such a reform would be consistent with the 1996 welfare reform law that abolished the Aid to Families with Dependent Children (AFDC) program and replaced it with a broader-purpose Temporary Assistance for Needy Families (TANF) block grant.

Critics of this type of administrative flexibility at the PHA level contend that many of the current rules governing the voucher program are designed to protect voucher recipients. They worry that the needs of low-income families could go unmet if federal rules are abandoned. Some further contend that without strong oversight, broad block grants could be open to waste, fraud and abuse.

Tenant Rents. Under the current rules of the voucher program, families are required to pay the greater of 30% of their adjusted incomes or a PHA-adopted flat rent (no greater than \$50). It is generally accepted that housing is affordable for low-income families if it costs no more than 30% of their adjusted gross income, on the assumption that low-income families need the full remaining 70% to meet their other needs. However, this figure is somewhat arbitrary. For some families with little work, transportation, medical, child care, or other outside costs, 40% or even 50% of income might be a reasonable contribution toward housing costs. In fact, the current voucher program allows families to choose to pay up to 40% of their incomes toward housing costs initially, and even greater amounts upon renewal of a lease. For other families, with high expenses for work, transportation, medical, child care, or other outside costs, some percentage lower than 30% might be the most reasonable contribution.

³ National Association of Housing and Redevelopment Officials (NAHRO), NAHRO Direct News: Section 8, May 29, 2003, attachment C.

Critics of the current rent calculation, including the Administration and some PHA groups, generally argue for one of two changes: increase the amount of income a family can pay toward rent, or decouple rent from income by adopting flat or tiered rents. Flat rents could work in a couple of different ways. Families could pay a PHA-determined, fixed below-market rent, based on unit size, regardless of their incomes. As incomes change, rent would stay the same. A PHA could also choose to adopt tiered rents. Under tiered rents, PHAs set different flat rents for broad tiers of income. Families pay the rent charged for their income tier, and only fluctuations in income that move them from one tier to another would change their rent. Unless flat rents were set low, either change would result in shallower subsidies paid to families. Shallower subsidies would allow PHAs either to save money or serve more people with the same amount of money.

Another argument in favor of moving from an income-based rent to a flat rent concerns administrative ease. The current complicated rent calculation, paired with the difficulty of verifying the incomes of tenants, has led to high levels of error in the subsidy calculation. According to a HUD 2001 Quality Control study, 60% of all rent and subsidy calculations contained some type of error. HUD has estimated an annual \$2 billion in subsidy over- and under-payments in the Section 8 voucher program. These errors have led the Government Accountability Office (GAO) to designate the Section 8 program a “high risk” program, meaning that it is particularly susceptible to waste, fraud, and abuse. Beginning with the FY2003 Consolidated Appropriations Act (P.L. 108-7), HUD was given access to the National Directory of New Hires, a database that may allow PHAs to better verify income data. This new option may help PHAs increase their accuracy.

Another argument in favor of a flat rent structure involves the work disincentives inherent in the current calculation. Since rent goes up as income goes up, families have a disincentive to increase earnings and/or an incentive to hide income. Families with Section 8 subsidies face an effective 30% tax on any increase in earnings. To get around this problem in the Public Housing program, Congress has instituted a mandatory income disregard; however, no such mandatory disregard exists in the voucher program.⁴ Currently, in the voucher program, if PHAs choose to disregard increased earnings, they must pay the difference out of their own budgets or face sanctions from HUD for not accurately calculating subsidies.

Low-income housing advocates generally support income-based rents over flat rents. Flat rents are not as responsive to changes in family income as income-based rents, and their adoption can result in families paying much less or much more toward rent than is generally considered affordable (30% of income).

Initial and Ongoing Eligibility. The current voucher program sets general eligibility for assistance at the very low-income level [50% or below of area median income (AMI)], with the requirement that 75% of all vouchers be targeted to

⁴ There is a mandatory earned income disregard applicable only to disabled families in certain situations. For more information, see The National Housing Law Project’s Earned Income Disregard Packet for Public Housing Voucher Program and Other HUD Programs, available at [http://www.nhlp.org/html/pubhsg/eid_packet.htm].

extremely low-income families (30%, or below AMI).⁵ The Administration has advocated raising eligibility levels and loosening targeting requirements, which could result either in cost savings or the ability to serve more families with the same amount of money. Low-income housing advocates support retaining current income eligibility and targeting requirements. They argue that the lowest-income households face the heaviest rent burdens and are the most need in of assistance.

Another option would give incentives to families to increase their work efforts and therefore their incomes. Non-elderly, non-disabled families could be encouraged to find and increase work through expansions in the Family Self-Sufficiency program or by the institution of time limits and/or work requirements. Low-income housing advocates generally support expanding the FSS program, which encourages work and increases in earnings. However, expanding FSS would not result in cost savings, since as families' incomes rise, their rent increases are deposited in an escrow account.

The current voucher program does not have a work requirement. Families that receive voucher assistance can retain that assistance until either they choose to leave the program; they are forced to leave the program (due to non-compliance with program rules or insufficient funding); or their income rises to the point that 30% equals the rent, at which point their subsidy is zero. The Public Housing program does have a mandatory eight-hour work or community service requirement for non-elderly, non-disabled tenants; however, most public housing residents are exempted, and it is unclear how thoroughly the provision has been implemented.⁶ Adopting a strict work requirement in the voucher program may help encourage non-elderly, non-disabled households that are not currently working to go to work, although it may not increase their incomes. Even with a strict work requirement, research based on the 1996 welfare reform changes (P.L. 104-193) indicates that for many poor families, increases in work do not necessarily translate into greater total income, and most households need work supports (such as child care and transportation assistance) in order to make them successful in becoming financially self-sufficient.⁷ Such supportive services are not currently part of the voucher program, and would require additional funding.

Funding Allocation. Prior to FY2003, HUD reimbursed PHAs for the actual cost of their vouchers. The cost of a voucher is equal to roughly the difference between the rent (capped by a maximum set by the PHA and called the payment standard) and the tenant's contribution toward the rent (30% of the tenant's income). PHAs' costs would fluctuate as tenants' incomes and market rents increased or decreased. Each year, HUD would ask Congress for funding sufficient to cover what HUD anticipated it would take to fund PHAs' costs.

⁵ For example, 50% of AMI in Missoula, MT was \$24,050, and 30% was \$14,450 in 2005. Fifty percent of AMI in San Francisco, CA was \$50,900, and 30% was \$30,550 in 2005.

⁶ For more information on the community service/work requirement in public housing, see CRS Report RS21591, *Community Service Requirement for Residents of Public Housing*, by Maggie McCarty.

⁷ See CRS Report RL30797, *Trends in Welfare, Work and the Economic Well-Being of Female-Headed Families with Children: 1987-2002*, by Thomas Gabe.

Due partly to changes in the rental market and partly to changes in the rules of the voucher program (such as increases in the payment standard), PHAs' actual costs began rising rapidly in 2002 and 2003. Congress and the Administration expressed concern about "spiraling cost growth." The Administration proposed changes in both the way that PHAs received funds as well as the underlying factors that led to the cost growth, including the amount tenants were asked to contribute towards rent and the maximum payment standard. Congress reacted by changing only the way that PHAs receive their funding. Rather than being reimbursed for their actual costs, PHAs in recent years have received a budget based on what they received in the previous year.⁸

This has led to problems for many PHAs, whose actual costs are still driven by the difference between rents and incomes in their communities while their funding is capped. As a result, some PHA groups have called for either a change back to an actual cost funding formula or a change in the structure of the voucher program that would allow them to better control their costs.

Reform Proposals

In each of the past three years, the President has proposed to eliminate the Section 8 voucher program and replace it with a new initiative. Authorizing legislation has been introduced in Congress in two of those three years, although no further action has been taken. The three proposals are discussed briefly below; a comparison of proposed major changes to current law can be found in **Table 1**.

Housing Assistance for Needy Families (HANF)

The HANF program (H.R. 1841 and S. 947, 108th Congress) was a Bush Administration initiative that would have replaced the existing tenant-based voucher program that is administered by local PHAs with a formula grant to states. Rather than receiving funding for a fixed number of units, states would have received a fixed budget, proportional to the amount of funds the state was receiving under the Housing Choice Voucher program. States would have had broad discretion in how they used their funds, including for homeownership purposes. The Secretary of HUD would have been permitted to lower the 75% targeting requirement to 55%, impose minimum rents, increase eligibility to 80% of area median income, and reduce the frequency of housing quality inspections from annually to every three years.

Low-income housing advocates opposed HANF out of concern that it could lead to an erosion of funding and that it would not serve low-income families adequately. PHA groups opposed the proposal to transfer administration to states and also voiced concerns about erosion in funding levels. HANF was not acted upon in the 108th Congress, although multiple hearings were held.

⁸ See CRS Report RS22376, *Changes to Section 8 Housing Voucher Renewal Funding, FY2003-FY2006*, by Maggie McCarty.

The FY2005 Flexible Voucher Program

The President's Flexible Voucher Program (FVP), was first recommended in the second session of the 108th Congress in the Administrative Provisions section of the FY2005 HUD budget request. The HUD Secretary testified that the Department did not plan to pursue authorizing legislation. Rather, officials stated during a hearing before the VA, HUD and Independent Agencies Appropriations Subcommittee on March 4, 2004, that they appreciated the leadership of the Appropriations Committees and were asking them to include the provision in the FY2005 appropriations bill.

The proposal, like HANF, would have replaced the voucher program with a broader-purpose grant program. Unlike HANF, PHAs would be asked to administer the FVP. They would have received a fixed number of dollars that they could have used to serve as many families as they chose, providing a broad range of assistance ranging from cash grants to ongoing rental assistance. HUD would have eliminated caps on how much families could be required to contribute towards rent, increased income eligibility to 80% or below of AMI, and eliminated any targeting requirements.

The House Financial Services Committee, in their Views and Estimates of the President's FY2005 Budget, was critical of the President's FVP proposal. The Chairman of the Senate VA, HUD and Independent Agencies Appropriations Subcommittee stated in a hearing on April 1, 2004, that the Flexible Voucher proposal was "a poor substitute for flaws in the program" and that the Committee would not have the "luxury of time to consider fully" the proposal.⁹ The FVP was not enacted before the end of the 108th Congress.

The State and Local Housing Flexibility Act of 2005 (S. 771/H.R. 1999)

The Administration's State and Local Housing Flexibility Act of 2005 (SLHFA) was introduced by Senator Allard on April 13, 2005 and by Representative Gary Miller on April 28, 2005, as S. 771 and H.R. 1999, respectively. The bill consists of three titles. Title I, The Flexible Voucher Act, is discussed further below. Title II, Public Housing Rent Flexibility and Simplification, would permit PHAs to alter the rent calculations for public housing in the same ways they would be permitted to change voucher rents under Title I. Title III, the Moving To Work Program, would make the current Moving to Work demonstration a permanent program with expanded eligibility for PHAs, and expanded waiver authority for the Secretary of HUD.

Title I is similar to the Flexible Voucher Program proposed by the Administration as part of the FY2005 budget request. It would replace the current voucher program with a broader-purpose grant program. PHAs would continue to administer the program, although if they were not meeting the Secretary's

⁹ Statement of Senator Kit Bond, VA- HUD Appropriations Subcommittee FY2005 Budget Hearing, Apr. 1 2004.

performance standards, their funds could be awarded to other entities selected by the Secretary.

Flexible Voucher Program funds could be used for six eligible activities: tenant-based rental assistance; project-based rental assistance; tenant-based homeownership assistance for first-time homebuyers; self-sufficiency activities, including escrow savings accounts; other activities, as specified by the Secretary, in support of tenant-based, project-based, or homeownership assistance; and administrative costs. Income eligibility, targeting, subsidy determination, and quality inspection rules would all be loosened, while portability rules and enhanced voucher features would be restricted. The Secretary would be directed to develop temporary implementing regulations within 90 days of passage, and final regulations, not including funding formulas, within 18 months. The Secretary would be directed to undertake negotiated rulemaking to develop grant and administrative fee allocation formulas, to be published within 24 months.

Hearings were held on the SLHFA in the House on May 11, 2005; hearings have not been scheduled in the Senate. The President's FY2007 budget request reiterates its support for the bill.

Table 1. Key Features of Recent Reform Proposals Compared to Current Law

	Housing Choice Voucher Program Current Law	FY2004 Housing Assistance For Needy Families (H.R. 1841/S. 947)	FY2005 Flexible Voucher Program	FY2006 Flexible Voucher Program (S. 771/H.R. 1999)
Administering Body	Thirty-three states currently administer a portion of the HCV program, but most funds are administered by local public housing authorities (PHAs).	States would have the option to administer the whole program, contract all or part to PHAs, or not participate.	PHAs would be permitted to administer the program. If a PHA were not organized or the Secretary determined the PHA was unwilling or unable to administer the grant, the Secretary could choose an “other entity” that is authorized to engage in or assist in the development and operation of low-income housing. That other entity could be a private or nonprofit organization.	PHAs would be permitted to administer the program. If a PHA were not organized or the Secretary determined the PHA was not capable of effectively administering the assistance, the Secretary could choose an “other entity” to administer the grant. That other entity could be a private or nonprofit organization.
Eligibility	Generally, families are eligible if their adjusted gross income is very low-income, defined as at or below 50% of area median income (AMI). Income must be reexamined annually.	Initial eligibility for the program would be set at the low-income level (at or below 80% of AMI), although the Secretary could choose to expand eligibility above the low-income level for elderly and disabled families.	Families would be eligible if their gross incomes were at or below 80% of AMI. Income would be reexamined every other year, and every three years for elderly or disabled households.	Families would be eligible if their gross incomes were at or below 80% of AMI. Income would be reexamined every other year, and every three years for elderly or disabled households.

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	Housing Choice Voucher Program Current Law	FY2004 Housing Assistance For Needy Families (H.R. 1841/S. 947)	FY2005 Flexible Voucher Program	FY2006 Flexible Voucher Program (S. 771/H.R. 1999)
Targeting	PHAs must target 75% of all vouchers to families at or below 30% of area median income (AMI).	States would be required to target at least 75% of vouchers to families at or below 30% of AMI, although the Secretary would be able to grant waivers to communities as long as at least 55% of vouchers were targeted to families at or below 30% of AMI.	PHAs would have no targeting requirements.	PHAs would be directed to target 90% of all assistance to families at or below 60% of AMI.
Subsidy Levels	Benefits are statutorily set as rental subsidies equal to the difference between the lesser of rent or the payment standard [set by the PHA at between 90%-110% of the fair market rent (FMR)] and the family's contribution (30% of adjusted gross income).	States would be able to establish their own methodology for setting reasonable and appropriate subsidy levels, and would not be required to use FMR. However, they would be required to set a maximum subsidy level, and families could not be required to contribute more than 30% of their gross incomes.	PHAs would be able to establish their own methodology for setting reasonable and appropriate subsidy levels, and would not be required to use FMR. However, they would be required to set a maximum subsidy level. If the PHA provided downpayment assistance, the maximum grant would be \$10,000.	PHAs would be able to establish their own methodology for setting reasonable and appropriate subsidy levels and would not be required to use FMR. However, they would be required to set a maximum subsidy level. If the PHA provided downpayment assistance, the maximum grant would be \$10,000.

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	Housing Choice Voucher Program Current Law	FY2004 Housing Assistance For Needy Families (H.R. 1841/S. 947)	FY2005 Flexible Voucher Program	FY2006 Flexible Voucher Program (S. 771/H.R. 1999)
Tenant Contribution	Tenant contributions are statutorily set as the greater of 30% of a family's adjusted gross income, 10% of a family's gross income, or the minimum rent (set by the PHA, not to exceed \$50, with a hardship exemption). Families cannot be required to contribute more than 30% of their incomes, although they can choose to contribute up to 40% in the first year and higher thereafter.	Families would not be required to contribute more than 30% of their gross incomes toward rent but could choose to pay more. A minimum rent of at least \$50 per month would be required for each family.	PHAs could establish rents based on a percentage of income, flat rents, tiered rents, or some combination of the three models, at their discretion. There would be no cap on tenant contributions. PHAs would be required to set minimum rents.	PHAs could establish rents based on a percentage of income, flat rents, tiered rents, or some combination of the three models, at their discretion. There would be no cap on tenant contributions. PHAs would be required to set minimum rents.
Time Limits and Work Requirements	Current law does not include any time limits or work requirements. Lease-compliant families can continue to receive assistance (even if their incomes increase above eligibility limits) until their tenant contribution is equal to the rent, at which point their subsidy is zero.	States would be able to set standards for continued eligibility, including time limits and work requirements.	PHAs would be able to set standards for continued eligibility, including time limits and work requirements.	PHAs would be able to set standards for continued eligibility, including time limits and work requirements. Beginning in January 2008, PHAs would be permitted to establish time limits of no less than five years. Families whose gross incomes increased above 80% of AMI would lose eligibility for assistance.

	Housing Choice Voucher Program Current Law	FY2004 Housing Assistance For Needy Families (H.R. 1841/S. 947)	FY2005 Flexible Voucher Program	FY2006 Flexible Voucher Program (S. 771/H.R. 1999)
Enhanced Vouchers	<p>Families receive enhanced vouchers when they are displaced from other housing assistance programs (for example, when public housing is demolished or contracts for private units end). Enhanced vouchers are administered by the local PHA. The payment standard for an enhanced voucher is equal to the rent for the unit (even if it is greater than the PHA's payment standard), allowing a family that would otherwise be displaced to remain in that unit. The "enhanced" feature of the voucher remains for as long as the family lives in the unit.</p>	<p>Funding for tenant protection/enhanced vouchers would be provided separately from grant funding and administered under current rules.</p>	<p>Enhanced vouchers would be administered under current rules for one year. After one year, enhanced vouchers would be administered under the local FVP rules.</p>	<p>Enhanced vouchers would be administered under current rules for one year. After one year, enhanced vouchers would be administered under the local FVP rules.</p>

	Housing Choice Voucher Program Current Law	FY2004 Housing Assistance For Needy Families (H.R. 1841/S. 947)	FY2005 Flexible Voucher Program	FY2006 Flexible Voucher Program (S. 771/H.R. 1999)
Inspection of Units	PHAs must inspect units to ensure that they meet federal housing quality standards prior to occupancy and at least annually thereafter. PHAs can choose to use local, state, or federal housing quality standards (HQS), as long as state or local standards are as strict or stricter than federal standards.	States would be required to inspect units prior to occupancy and then every three years. States could use state, local, or federal HQS.	PHAs would be required to inspect units within 60 days of a family's occupancy to ensure that the units meet the local, state or federal HQS, as chosen by the PHA. PHAs would be required to reinspect one-quarter of all units under contract annually.	PHAs would be required to inspect units within 60 days of the first payment made to the owner and at least once every four years thereafter to ensure that the units meet federal housing quality standards or other standards approved by the Secretary. PHAs would be required to inspect at least one-quarter of units each year.
Portability	Families receiving voucher assistance, after one year, can move to any jurisdiction in the country where a voucher program is being administered.	Families receiving voucher assistance could move to any state where a voucher program is being administered, without the one-year restriction.	Families receiving rental assistance, after one year, could move to any jurisdiction in the country where a voucher program is being administered.	Families receiving rental assistance, after one year, would be permitted to move to another unit within the jurisdiction of the PHA that issued the voucher.

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	Housing Choice Voucher Program Current Law	FY2004 Housing Assistance For Needy Families (H.R. 1841/S. 947)	FY2005 Flexible Voucher Program	FY2006 Flexible Voucher Program (S. 771/H.R. 1999)
Grandfathering	<p>Not applicable.</p>	<p>Families who were receiving tenant-based vouchers prior to enactment of HANF would be eligible to retain those vouchers under the current program rules through FY2009. Families with project-based vouchers, certificates, or homeownership assistance could retain their assistance under current program rules indefinitely.</p> <p>If funding were insufficient to support all existing vouchers, states would not be required to continue to support all existing vouchers, although they would be required to make efforts to do so.</p>	<p>Under the FVP, PHAs would be permitted to grandfather in all current voucher holders under current program rules, but would only be required to grandfather homeownership voucher holders and project-based voucher holders for the length of their contracts. Enhanced voucher recipients would be governed by current program rules for one year.</p>	<p>Families receiving homeownership assistance or project-based voucher assistance on the day before enactment would continue to receive assistance under current law for the length of their contracts. Elderly and disabled households receiving assistance on the day before enactment would continue to be treated under current law until January 2009. Elderly and disabled households receiving assistance after the date of enactment would also be treated under current law until January 2009, unless their PHA had devised a plan for meeting the needs of the elderly and disabled prior to a January 2009 deadline for developing such a plan. Enhanced voucher recipients would be governed by current program rules for one year.</p>

	Housing Choice Voucher Program Current Law	FY2004 Housing Assistance For Needy Families (H.R. 1841/S. 947)	FY2005 Flexible Voucher Program	FY2006 Flexible Voucher Program (S. 771/H.R. 1999)
Funding Allocation	<p>Under the current program, PHAs administer their baseline number of vouchers. The baseline was not determined via any particular formula; it is the number of vouchers that a PHA has been given authority to lease (through competitions and different formula allocations) through the years. Prior to FY2003, PHAs were paid based on the actual cost of their vouchers. In FY2006, they received a pro-rata share of the amount appropriated, based on what they received in FY2005. In FY2005, they received an amount based on their actual costs over a three- month period in FY2004.</p>	<p>In the first year, states would receive the same ratio of the total funding available that they received in the prior year. By the second year, the Secretary would be directed to have established a new formula allocation that considers factors including: the number of families receiving assistance in each state, the extent of poverty in the state, the cost of housing in the state, the performance of the state in administering HANF, the amount of unobligated HANF funds the state has accumulated, and any other objectively measurable criteria the Secretary may specify.</p>	<p>For the first fiscal year, PHAs would receive a pro-rata share based on their prior year's funding level. The Secretary would be required to establish a formula within 18 months for allocating any new funds to PHAs.</p>	<p>The Secretary would be required to establish a formula, through negotiated rulemaking with stakeholders, within 24 months for allocating funds to PHAs. In the interim, PHAs would receive a pro-rata share based on their prior year's funding level.</p>

	Housing Choice Voucher Program Current Law	FY2004 Housing Assistance For Needy Families (H.R. 1841/S. 947)	FY2005 Flexible Voucher Program	FY2006 Flexible Voucher Program (S. 771/H.R. 1999)
Administrative Fees	<p>Prior to FY004, administrative fees were paid to PHAs on a per-unit basis calculated roughly as a percentage of FMR. Recently, PHAs have received the same proportion of total funds that they had received in the previous year. In FY2006, the amount available for administrative fees was equivalent to just less than 9% of the amount provided for vouchers.</p>	<p>Administrative fees would be capped at 10% of the grant amount.</p>	<p>Administrative fees would be capped at 7% of the grant amount. Performance- and incentive-based fees would be available at the Secretary's discretion.</p>	<p>HUD would be required to develop a final formula for allocating administrative fees within 24 months via negotiated rulemaking. In the interim, PHAs would receive a pro-rata share of the amount available for administrative fees, based on what they received in the previous year, although the Secretary would have the authority to retain up to 5% to provide special fees for non-routine expenses.</p>

	<p>Housing Choice Voucher Program Current Law</p>	<p>FY2004 Housing Assistance For Needy Families (H.R. 1841/S. 947)</p>	<p>FY2005 Flexible Voucher Program</p>	<p>FY2006 Flexible Voucher Program (S. 771/H.R. 1999)</p>
<p>Grantee Performance</p>	<p>PHAs are evaluated annually through the Section 8 Management Assessment Protocol (SEMAP), which is a set of 14 criteria established by HUD.</p> <p>If PHAs perform poorly, they may face financial penalties until they improve or may come under receivership.</p> <p>An estimated 2 million vouchers are up for renewal in FY2006.</p>	<p>The Secretary would be required to establish performance standards for states, including:</p> <ul style="list-style-type: none"> -Budget utilization, -Financial management, -Number of families served, -Quality of housing, -Reduction in homelessness, -Improved living conditions for elderly and disabled families, -Effectiveness of voucher assistance in helping families move toward homeownership and self-sufficiency, -Removal of barriers to affordable housing. <p>If a state were not making sufficient progress, HUD could retake administration of the program.</p> <p>States would be required to serve the same number of people that were being served prior to enactment.</p>	<p>The Secretary would be required to establish performance standards for PHAs, including:</p> <ul style="list-style-type: none"> -Budget utilization, -Financial management, and -Effectiveness of voucher assistance in helping families, including the elderly and disabled, move toward independent living, economic self-sufficiency and homeownership. <p>If a PHA were to receive a failing score for two consecutive years, the Secretary would determine how best to administer the grant, which could include alternative administration or extending the deadline for improvement.</p> <p>The FVP contains no requirement regarding the number of people served.</p>	<p>The Secretary would be required to establish performance standards and a performance assessment system.</p> <p>If a PHA received a failing score, the Secretary would determine how best to administer the grant, including:</p> <ul style="list-style-type: none"> -turning over administration of the grant to another PHA or other entity; -appointing a receiver; or -setting a deadline for the PHA to improve. <p>The FVP contains no requirement regarding the number of people served.</p>

Source: Congressional Research Service analysis of current law (42 USC 1437f); H.R. 1841 and S. 947 (108th Congress); President’s FY2005 Budget Request for the Department of Housing and Urban Development, Administrative Provisions, Section 233; H.R. 1999 and S. 771 (109th Congress)