

Testimony
of
Jody Geese, Executive Director for Belmont Metropolitan Housing Authority
For a hearing regarding
H.R. 1999 – The State and Local Housing Flexibility Act of 2005
Before
The Subcommittee on Housing and Community Opportunity
Tuesday, May 17, 2005

Chairman Ney, Ranking Member Waters and members of the subcommittee, my name is Jody Geese and I am the Executive Director of the Belmont Metropolitan Housing Authority located in Martins Ferry, Ohio. Belmont Metropolitan Housing Authority owns and operates 724 units of Public Housing and has 275 authorized Housing Choice Vouchers. I also serve as an officer and the legislative chair for the Ohio Housing Authorities Conference (OHAC) which represents 76 housing authorities throughout Ohio. OHAC collectively serves approximately 135,561 families. Through the Housing Choice Voucher Program, OHAC agencies provide rental assistance to approximately 85,545 families representing approximately 214,476 individuals. Ohio's public housing programs provide 50,106 units for approximately 125,000 residents.

I am here today in my capacity as an administrator of Public Housing and Housing Choice Voucher programs. I greatly appreciate the opportunity to testify on

H.R. 1999, which proposes to replace the housing choice voucher program and amend the public housing program as established under the Housing Act of 1937. I thank you for inviting me here today.

You will hear testimony from many outstanding individuals today whose voices are louder than mine, but I speak from the frontline and live every day with the decisions that you and the Department of Housing and Urban Development make. The last couple of years have not been easy for program administrators, but my concerns go far past the impact on my staff and me. I have a deeper concern for the low-income families we serve and our participating property owners.

The “State and Local Housing Flexibility Act of 2005” has been introduced as a bill to “better assist low-income families to obtain decent, safe, and affordable housing as a means of increasing their economic and personal well-being through the conversion of the existing section 8 housing choice voucher program into a flexible voucher program, and for other purposes.”

On October 21, 1998, the Quality Housing and Work Responsibility Act, commonly referred to as QHWRA, was signed into law. QHWRA’s summary of major provisions states, “The bill removes disincentives for residents to work and become self-sufficient, provides rental protection for low-income residents, deregulates the operation of public housing authorities, authorizes the creation of mixed-finance public housing projects, and gives more power and flexibility to local governments and communities to operate housing programs.”

While the purposes of the “State and Local Housing Flexibility Act” sound strikingly similar to QHWRA, many provisions provided under the 1998 act have never been implemented by the Department of Housing and Urban Development. I along with our industry groups advocate for meaningful regulatory flexibility and streamlining of the housing choice voucher program. However, many of these goals could be obtained within HUD’s existing authority while preserving the original principles of the program. I have attached a copy of the National Association of Housing and Redevelopment Officials’ “HUD Can Act Now to Provide Housing Agencies with Program Cost Reduction, Flexibility, and Streamlining through Regulatory Reforms,” dated March 2005. QHWRA, a bi-partisan legislative action, contains reforms that provide for cost savings and greater program efficiency that HUD has yet to act upon despite the current funding environment. As an immediate step to provide relief to the voucher program, I urge you to continue to exercise your oversight authority to ensure full implementation of QHWRA.

A NAHRO study concluded that Congress authorized adequate funding for all vouchers in 2004, but the new funding formula methodology continuing to be utilized by Congress results in an unbalanced allocation of funds to housing authorities and ultimately serves fewer families. In FY 2005, Congress upheld a budget-based formula, apparently in response to HUD’s assertion that voucher program costs were “spiraling” out of control. The Center on Budget and Policy Priorities, in an article titled, “HUD Data Show Housing Voucher Costs Leveled Off Starting in 2003 as Rental Market Cooled,” dated April 18, 2005, provides a detailed analysis that the so-called “spiraling” costs of the program have in fact eased since peaking in 2003. Despite this evidence,

HUD relentlessly uses the assertion of spiraling costs as its rationale for radical change. Acting on an important budget reform enacted by Congress, HUD implemented a “real time” system in 2003 that allows that agency to more accurately predict actual monetary needs of the program and respond to those needs in a timely manner. The system works well for housing authorities and HUD.

The administration refers to the housing choice voucher program as “overly prescriptive and difficult for public housing agencies and the Secretary to administer.” While I would concede the program could and should be simplified, I would urge each of you to ask if HR 1999 is true to the integrity and intent of the program to provide decent, safe, sanitary housing. I would also ask that you consider that existing laws were enacted to reflect the desire of Congress to “**better**” assist low-income families.

While local decision making and broad flexibility are very attractive to public housing authorities, if funding is inadequate there is no “real” flexibility available. We don’t want to have to put the neediest families we serve at risk. I am also deeply concerned about the long-term future of the voucher and public housing programs.

A “unit-based” system using actual costs allows housing authorities to best utilize the housing choice vouchers that Congress authorized because it efficiently distributes limited federal resources and enables Congress to know the number and percent of extremely-low, very-low and low-income families being served, their rent burdens, length of participation and rate of self-sufficiency, etc.. While I appreciate the difficult

task this sub-committee and Congress are faced with when coupling program delivery and the allocation of scarce domestic funding, I continue to strongly advocate for a “unit-based” program reflective of actual costs for the housing choice voucher program and adequate funding for the public housing programs.

The Office of Management and Budget (OMB) gave the voucher program the highest rating of HUD’s programs. The bi-partisan Millennial Housing Commission recommended that HUD “**expand and strengthen the housing choice voucher program.**” It also stated that the voucher program “is distinctly worthy of additional funds for substantial annual increments of vouchers to address the housing problems of extremely low- and very low-income families who lack access to other housing assistance.” Its rationale for these recommendations was, “because the program is flexible, cost-effective, and successful in its mission” and that the commission believed that “housing vouchers should continue to be the linchpin of a national policy providing very low-income renters access to the privately owned housing stock.” The MHC affirmed the basic strengths of the HCV program and recommended ways in which it can be improved through streamlining with minor modifications, not through a major reform.

I will speak directly to my greatest concerns with this proposal.

TITLE I-FLEXIBLE VOUCHER PROGRAM

Allocation and Distribution of Funds-The administration's proposal suggests that each PHA, subject to appropriations, will receive funding proportionate to its annual 2005 funding for housing and administrative expenses, adjusted for inflation for an interim rule period. This perpetuates a disastrous "snapshot" funding formula into the future. The May-July "snapshot" methodology does not accurately depict housing authorities' annual leasing or Housing Assistance Payment costs in 2004 or 2005. This formula provided for temporary winners --- temporary because excess funds are recaptured --- and short falls for others, ultimately resulting in fewer families being served than could have been served with the funding provided by Congress. The interim and final distribution formulas should be based on annualized actual costs and leasing, using a larger universe than a three-month period as the basis for a pro-ration formula. Congress would then know in advance whether or not 100 percent of authorized leased households are being funded.

HR 1999's funding provisions also rely upon negotiated rulemaking, which is also a concern. It is questionable whether the final product of a negotiated rule making process will reflect the views of stakeholders in light of the recent changes to the operating fund negotiated rule.

Performance Measures- Performance measures should be spelled out in the proposal.

Last year the performance measures were included as part of the proposal, but they were tied to the administration's priorities. This reduced real flexibility and local decision making. We have no guarantee this will not happen again.

Income Targeting – The administration proposes that “not fewer than 90 percent of the families issued vouchers during any one-year period shall have gross incomes that do not exceed 60% of the median of the area.” This would be seriously detrimental to the poorest of the poor, turning back the clock on the hard work of Congress to provide low-income families with rental choices.

While I agree that there are families just slightly above 30% of median income (AMI) that are unfairly impacted by the 75% income targeting, the proposed levels are extreme in that there is no safeguard for the extremely low-income families. A compromise could be that not fewer than 75% of families issued vouchers have gross incomes that do not exceed 40% of the median, as families generally go off the program when their incomes reach around fifty percent of AMI. Housing authorities, where targeting creates an undue hardship because it is not reflective of the communities they serve, could apply for a waiver.

Term Limits – An optional provision in the proposal allows PHA's to adopt term limits as long as they are not for a period less than five years. Term limits could affect the working poor, many of whom have obtained the best job or financial situation available

for them. We, as a nation, will always have folks that need assistance and must also consider the large number of children residing in these units that could be put on the streets or into substandard or overcrowded housing by term limitations. Term limitations have the potential to discourage participation of landlords that may be reluctant to take on a family nearing the end of their voucher term. HR 1999, in contrast, excludes families participating in homeownership from term limitation.

Project-Based Rental Assistance- A housing authority may continue to provide assistance for a vacant project-based unit for a period not to exceed 60 days. HUD has proposed supplemental funding for properties that typically have a vacancy provision built into their financing. However, HUD does not propose to provide this kind of subsidy for public housing and, in fact, provides for “no” operating subsidy for vacant units under the newly proposed “**non-negotiated**” rule, eliminating the long standing and modest 3% vacancy provision. No private sector real estate operator assumes they can achieve 100% occupancy.

Amount of Assistance- The Government Accounting Office, in a February 2005 report titled, “HUD RENTAL ASSISTANCE, Progress and Challenges in Measuring and Reducing Improper Rent Subsidies,” had major concerns regarding the potential impact the rent determination approaches being considered by HUD could have on resident rents and the direct impact these changes could have on over 3,000 PHA’s and 22,000 property owners that would have to retrain staff, update written procedures and administrative plans, and make costly software modifications. I welcome simplified rent calculations,

but share the concerns of the GAO that we need sufficient study to gauge the effects on both the tenants and the housing authorities before moving forward.

I would also question that if HUD finds overseeing more than 2,400 Section 8 programs difficult, how can the department effectively oversee and adopt performance standards for 2,400 different programs or oversee more than 3,000 public housing authorities by individual developments as they propose?

Minimum Rents-Many housing authorities support minimum rents. However, hardship exemptions make collecting them all but impossible. I do believe a modest minimum rent could discourage fraud among families reporting “zero” income.

Inspection of Units-The proposal requires that a PHA inspect at least 25% of their assisted properties annually. In my opinion, this is not enough. While I realize the necessity for inspections varies among agencies, inspections every four years seem inadequate from my perspective. My fear is that administrative fees will ultimately be based on the 25% requirement, putting housing authorities that cannot afford to do necessary inspections because of administrative funding constraints at risk of funding units with lead based paint issues, etc. Requiring inspections on at least 50% of assisted units annually, and every unit at least every 2 years would lessen the administrative burden while providing for quality assurance. A different approach would be to eliminate the inspection requirement for units assisted in tax-credit or other federally assisted properties that already have a mandated inspection requirement. This would provide for

an annual inspection of all assisted units, ease administrative burdens, and avoid unnecessary inspection duplication.

Administrative Fees- Administrative fees should be tied to units leased because they provide the proper incentives to PHAs to serve the greatest number of authorized families. There is no correlation between HAP subsidies and program administration. The same amount of work has to be done for a shallow subsidy as for a deep one. Based on its recent actions in regards to public housing subsidies, housing authorities are concerned that the final product will not resemble their needs. Congress should itself ensure adequate administrative fees are provided for the administration of the program.

TITLE II-PUBLIC HOUSING RENT FLEXIBILITY AND SIMPLIFICATION

The summary indicates the act would “simplify and reform the rental payment requirements.” HUD indicates “de-linking or minimizing” rent calculations from family incomes will create a fairer system that eliminates errors. The GAO report states, “HUD must weigh the degree of relief these policies provide against the administrative burden they create and the increased risk of error they generate.”

Public housing could adopt similar rent determination methods proposed for the Housing Choice Voucher Program. While the concerns for the residents of section eight are the same with public housing, housing authorities have no choice but to take into account the cost of keeping their doors open in public housing. There is no real

flexibility or tenant protection with the choices offered in public housing if funding is inadequate. Rents will have to be established in a manner that pays the bills.

Public housing income targeting requirements would remain the same, requiring annually at least 40% of newly admitted families to have incomes that do not exceed 30 % of the area median income. HUD proposes changing the voucher targeting requirements from 75% of all new admissions annually do not have incomes that exceed 30% of median, to at least 90% of all new admissions annually do not have incomes that exceed 60% of median. HUD's proposal will segregate the poorest of the poor in public housing or leave them with no where to go. Congress attempted to correct, within QHWRA, provisions that resulted in the lowest income families being targeted to public housing and the "less poor" having the greatest access to the housing choice voucher program and rental choices.

My concern is that this proposal will concentrate poverty in public housing developments, and funding shortfalls will result in the corrosion of the existing public housing stock. Having already eliminated the Public Housing Drug Elimination Program, the proposal to eliminate the HOPE VI program and the current and proposed cuts in the public housing modernization and operating funds will result in the deterioration of public housing stock, creating blight and increasing crime within public housing developments, as dollars currently used for security are no longer available and again turning back that clock.

TITLE III-MOVING TO WORK PROGRAM

The Moving to Work Demonstration study indicated that “more study” was needed to accurately measure its success. Yet HUD proposes to make this a “permanent” program, expanded to a large number of housing authorities while eliminating the permanent authorization of the voucher program with proven success, to just five years. I would suggest the opposite and leave the successful voucher program a permanent one and continue to expand, study and monitor the MTW demonstration for the next five years.

Conclusion

In conclusion, the Department of Housing and Urban Development must be held accountable for the integrity and effectiveness of the programs we operate and the families we serve. The Housing Choice Voucher Program is a highly successful program that is **not** “broken.” A funding crisis was created not by the level of funding provided by Congress in 2004 or 2005, or alleged “spiraling” program costs, but by the “snapshot” budget-based funding formula which inefficiently distributed adequate funding. This crisis does not change the need and purpose of the program. To fix a leaky faucet, you don’t need to demolish the house. Radical change requires careful review and study and I

thank this sub-committee for their commitment to do just that. We cannot balance this or any other budget on the backs of the poor.

As I indicated, I am deeply concerned about the long-term future of the voucher and public housing programs. Three years ago HUD proposed to block grant the voucher program to the states, this year it proposes the elimination of programs and the moving of the CDBG program to Commerce. It has taken the negotiated rule for public housing operating subsidy and removed many components that make it possible for a public housing authority to survive and imposed their own version, in the process cutting according to NAHRO nearly 370 million from the program **before** appropriations. I concur with a recent editorial on the crises facing public housing programs which likened it to the old saying, “When you are up to your neck in alligators, it is hard to remember your mission was to drain the swamp!”

I do not pretend to know what is best for other agencies that have very different communities, problems and challenges. As I stated previously, I would welcome “meaningful” reform and flexibility. The bottom line is “**everything**” is relevant to funding. Flexibility in an environment of adequate funding would produce significantly different results than in an environment where the decisions are made on the basis of having no other choice. Please help us to “**better**” assist our families by providing for adequate funding and a careful review of this proposal.

Again, thank you for the opportunity to present my views.



National Association of Housing and Redevelopment Officials

630 Eye Street NW, Washington, DC 20001-3736 (202) 289-3500

Toll Free (877) 866-2476 Fax (202) 289-4961

www.nahro.org

HUD Can Act Now to Provide Housing Agencies with Program Cost Reductions, Flexibility and Streamlining through Regulatory Reforms

March 2005

Congress passed major reforms to the Section 8 Housing Choice Voucher program (HCV) in 1998 under the Quality Housing Work and Responsibility Act (QHWRA). The act was designed to give housing agencies (HAs) the maximum feasible authority, discretion and control with appropriate accountability to residents, localities and the general public. NAHRO believes that HUD should act now, to build on the successes which followed bi-partisan legislative actions such as QHWRA. Since August 2003 and in successive years, NAHRO has requested the Department to move forward with the regulatory reforms listed below, in order to achieve cost savings and greater program efficiency under the HCV program.

The regulatory flexibility HUD provided recently under PIH Notice 2005-9, was a step in the right direction. However, given the funding shortfalls facing HAs, it is imperative that additional regulatory reforms be implemented this year, and not delayed further due to Section 8 legislative proposals for FY 2006. HAs that faced and will continue to face serving fewer families, increasing rent burdens and losing property owner participation, should not have to wait until next year, for the passage and implementation of a legislative reform proposal. No matter what financial position an agency is in this year, the regulatory reform recommendations for which NAHRO has advocated would help achieve program cost savings, program streamlining, and greater local flexibility, including but not limited to:

HUD's Program Goals	HUD Can Act Now	Program Benefit	HUD's Status
Implement simplified rent calculations - to ensure all subsidy payments are calculated accurately	HUD can streamline one of the most complex aspects of rent calculation for HAs, known as income exclusions, under its existing regulations. In fact, HUD's previous semi-annual regulatory agenda projected a proposed rule by February 2004 to amend the regulations for Section 8 and public housing programs. If implemented, the rule would have streamlined HUD's income and rent regulations, including the elimination of some income exclusions.	Program streamlining Reduce Improper Payments	Regulation withdrawn from OMB clearance
Modify annual inspection requirements - to allow agencies to achieve administrative cost savings	HAs could choose a time frame to conduct annual inspections that fit their local needs within existing statutory design including by geographic area instead of tied to lease anniversary. This would provide HAs with programmatic streamlining and ease administrative burdens. HAs are required to inspect units "annually" defined as one inspection occurrence per calendar year. Currently, HUD's PIC system requires an annual inspection date to be imputed within 90 days of the date of each voucher-assisted household's previous annual inspection, rather than once annually as is required under the regulations. The current requirement as it relates to PIC, rather than program regulations, creates a problem that moves the annual inspection requirement date further back every year.	Program streamlining Admin. Cost Saving	Not commenced
Consolidate and reduce duplicative reporting requirements to HUD	HUD was compelled under the consortium statute (Section 13(a)(2)(B) of the U.S. Housing Act) within QHWRA, to consolidate all HUD reporting requirements for agencies engaged in consortium. If completed by HUD, this would allow HAs to administer a multitude of programs in consortium and achieve significant program streamlining and administrative cost saving. Completing this requirement would provide significant benefits particularly to small agencies around the country.	Program streamlining Admin. Cost Savings	Incomplete

James M. Inglis, President; **Donald J. Cameron**, SPHM, Senior Vice President; **Sandra Edmonds Crewe**, PhD., PHM, Vice President-Professional Development; **Joseph E. Gray, Jr.**, Vice President-Community Revitalization & Development; **David J. Meachem**, SPHM, Vice President-Member Services; **Elizabeth C. Morris**, Vice President-Housing; **Marjorie C. Murphy**, Vice President-Commissioners; **Raymond P. Murphy, Jr.**, PHM, Vice President-International; **Saul N. Ramirez, Jr.**, Executive Director

<p>Improve evaluation system for small agencies and put the program in a market-based context</p>	<p>NAHRO has called for HUD to include critical market-based factors in evaluating Section 8 HCV program performance, such as vacancy rates. In addition, NAHRO has called for HUD to reform its point rating system for small HAs, which HUD’s studies have demonstrated unfairly skew overall ratings for small HAs. SEMAP indicator 13 within HUD’s PIC system does not account for the higher of HAs’ lease-up rate or budget utilization. Instead it allows only for lease-up rates, which have fallen from 97 percent to 93 percent in 2004 as a result of a rigid budget-based renewal formula and de factor reductions in the authorized number of families agencies could serve with the funding available to them.</p>	<p>Program streamlining and increase its market-based elements</p>	<p>Incomplete. HUD listed a proposed revision to the lease-up indicator in SEMAP as part of its semi-annual regulatory agenda.</p>
<p>Better serve special populations (i.e. non-elderly disabled households) and increase affordable housing opportunities</p>	<p>Included in the FY 2000 VA, HUD and IA Appropriations bill, the Section 8 project-based voucher assistance program, if properly streamlined, holds great promise to serve special populations (non-elderly disabled households). It would also encourage deconcentration of neighborhoods, and increase affordable housing development, and reduce need for multiple waiver approvals from HUD.</p> <p>Current regulations enable agencies to use the Section 8 project-based assistance program for up to 20 percent of their voucher portfolio. The project-based assistance program is a housing production program, in that the commitment of federal subsidy is used as a method of financing the construction of new affordable housing units as well as substantial rehabilitation and acquisition of existing developments for preservation purposes. It costs between 50 and 75 percent less to preserve affordable housing units than to build new ones and attracts new investments to communities. NAHRO participated with other organizations and filed additional comments (Docket No. FR-4636-P-01).</p>	<p>Program cost savings and program streamlining</p>	<p>Incomplete. Proposed rule issued March 25, 2004, comments submitted in May 2004.</p>
<p>Downpayment Assistance using Housing Choice Voucher funds</p>	<p>Under Section 301 of the American Homeownership and Economic Opportunity Act of 2000, and contained in the final rule (September 12, 2000), 12-months of Housing Assistance Payments under the Section 8 Housing Choice Voucher (HCV) Payment can be offered to an eligible household for downpayment assistance towards to the purchase of a home, upon which the eligible household would voluntary withdraw from the HCV program. The final rule also authorizes use of voucher funds for downpayment assistance, but that initiative cannot become effective without an appropriation which has not been sought by HUD.</p>	<p>Greater local flexibility, Program cost savings</p>	<p>Funding not sought to implement the rule.</p>
<p>Avoid skipping very-low and low-income applicant households unnecessarily</p>	<p>During the March 5th House hearing, Asst. Sec. Liu said, “There may be families that are at 35 percent of median, just 5 percentage points higher, and yet today they have to be put on waiting lists or they have to be overlooked.” This could be prevented now if HUD properly exercised its existing statutory authority under QHWRA. NAHRO recommends that HUD implement regulations from QHWRA such that 75 percent of all vouchers issued would be provided to households below 30 percent of Area Median Income (AMI) rather than leased.</p> <p>Based on NAHRO’s analysis and modeling of HUD’s study, nationally, 68 percent of extremely households below 30 percent of AMI experiencing worst-case housing needs would receive approximately 79 percent of annual Section 8 rental assistance benefits, and 22 percent of households between 30 to 50 percent AMI that experience worst-case housing needs would receive approximately 21 percent of annual Section 8 rental assistance</p>	<p>Program streamlining Greater local flexibility</p>	<p>Improper interpretation of QHWRA</p>

	benefits, on average. If properly implemented, this would also provide greater administrative efficiency in the admissions and occupancy of the program where significant costs are incurred by agencies to satisfy HUD's current income targeting regulations.		
Reforming Utility Allowances	HAs should be able to use the utility allowance of a household's authorized voucher size if the bedroom size of their leased unit is greater than their authorized voucher size. In addition, HAs should be allowed to use the lower of their utility companies' "lifeline" rates or the standard commercial rate averages.	Program cost savings, Program streamlining	Incomplete
Improve inflation factor calculations - to more accurately reflect local rents.	Following the 1998 Negotiated Rulemaking Committee's deliberations, the Department was to collect two-year's worth of data to analyze more accurate inflation factor alternatives to the existing Annual Adjustment Factors (AAF). Since 1998, the rate of increases in local rents as defined by Fair Market Rent (FMRs) is greater than the rate of increases in modest AAFs, creating greater funding shortfalls and less access to housing markets in their community.	Greater local flexibility to meet local needs	Incomplete
Improving Design of Central Program Reserves – to ensure agencies would be able to serve the maximum number of authorized households	It is important that HUD maximize each source of funding in a way that provides adequate funds to each agency up to their adjusted ACC baseline number of units, and reduces recaptures of unused budget authority to the greatest extent possible. By centralizing program reserves and administering it in a more efficient and effective manner, it would enable those agencies that need it to access those funds and those agencies that do not need it would not result unobligated balances.	Program cost savings, program streamlining	HUD proposed eliminating program reserves for FY 2006 except for unforeseen exigencies
Allow Housing Agencies to implement reduced Payment Standards	<p>Within HUD's existing regulatory authority, the Department has the ability to change the current time frames required of housing agencies' to implement reduced payment standards from two years to one year upon annual recertification (CFR 982.505), which would likely reduce program costs by hundreds of millions of dollars and not impose undue hardships on low-income families and participating property owners. HUD exercised its authority with the issuance of 2005-9, but required Housing Agencies to go through a waiver process to implement shorter time frames for their lowered payment standards.</p> <p>If adopted, this measure would give participating households a reasonable time period to make informed market-based decisions about the terms of their share of rent the following year. Similarly, participating property owners would have adequate advance notice to reconsider the unit rent relative to comparable units in the private market and the benefits of the Section 8 Housing Choice Voucher program.</p>	Program cost savings	Introduced for the first time in March 2005, albeit through a cumbersome waiver process under PIH Notice 2005-9.
More accurately reflect local rents	In advance of the full implementation of the American Community Survey (ACS), a modest investment to increase the number of Random Digit Dialing (RDD) surveys, would help HUD more accurately gauge changing rental markets. HUD should resume performing at least 20 RDD surveys per year as they have done historically, and step up its initiative for more in the future.	Greater local flexibility	Resumed more RDDs in late 2004 and early 2005.
Improve portability and enforce accurate rental subsidy payments	<p>As a result of a HUD Inspector General (IG) report, HUD was directed to implement a portability system with greater standardization in the billing and payment procedures. HUD implemented the IG's recommendations to help bring about reasonable enforcement mechanisms to enhance the existing portability system and reduce HAs' administrative problems. However, additional measures should be taken including:</p> <ul style="list-style-type: none"> • Adding separate fields within the 52681-B form under the 	Program streamlining	Implemented Inspector General's report in 2004, however, additional measures could be taken.

	<p>Voucher Management System (VMS) specifically for portability billings and the HAs to which they apply, so that initial agencies can request and receive both HAP and administrative fees applicable to the receiving agency’s jurisdiction;</p> <ul style="list-style-type: none"> • Within the confines established under QHWRA, give initial housing agencies a greater measure of control concerning the time-frames voucher holders have to search for a unit after exercising the portability option; • Under the existing portability regulations, agencies performing the admissions and occupancy determinations, have no control over their lease-up or utilization rates, and no ability to reasonably predict how their portability vouchers will be absorbed or billed in the future. Agencies need more advanced notice of when absorptions and billings will occur. Revise regulations such that an agency that is 98 percent leased or greater with portability billings (i.e. billings to an initial agency) must absorb 25 percent of their turnover vouchers for billings under lease for 1 year or more. Portability billings would be absorbed, starting with oldest billings first; and • Unused funds recaptured from agencies with “chronic” underutilization (i.e. below 90 percent and not leased back up to 95 percent or higher), would have the remaining funding and vouchers reallocated to pay for new vouchers. These new vouchers would be reallocated first within the MSA, then State and then within the Nation. The eligibility for these vouchers would be the same as incremental “Fair Share” vouchers with one additional preference for those agencies with portability billings still on their books. 		
<p>Correct Lease-up Rate Calculation Method for Project-Based Vouchers</p>	<p>HAs that want to take advantage of the Section 8 Project-Based Assistance (PBA) Program find themselves between a proverbial “rock and a hard place.” HAs want to designate a portion of their Section 8 ACC (up to 20 percent) in order to have enough units to attract or leverage private investment and LIHTC under their local Qualified Allocation Plan. If they do so, however, it takes time for the Section 8 PBA construction or substantial rehabilitation to take place. This, in turn, adversely affects the HA’s voucher lease-up rates because the vouchers being designated for Section 8 PBA construction or substantial rehabilitation are currently counted by HUD against their voucher lease-up rates during that time period.</p> <p>HUD should give HAs a grace period on counting units that have designated Section 8 PBA vouchers for construction or substantial rehab. This grace period should be provided as long as there is a well-defined construction plan in place with specific time frames, that is documented and submitted to HUD in a reasonable fashion determined by the Secretary.</p>	<p>Program Streamlining</p> <p>Maximizing resources to serve the greatest number of households</p>	<p>Incomplete</p>
<p>Improve income verification and integrity - to ensure all subsidy payments reflect households’ income</p>	<p>Required in FY 2004, HUD’s use of the “New Hires” database with employment information on all recently-hired employees across the country would ease HAs’ efforts on income and rent verification. Such disclosures would enhance HAs’ income and rent verification efforts. HUD’s implementation of the “New Hires” database is making progress and expected to be secure for the Housing Choice Voucher program in FY 2005 or FY 2006.</p>	<p>Program streamlining</p>	<p>In progress</p>

To maximize scarce funding to support programmatic goals and program efficiencies, NAHRO reiterates its call for HUD to act now on meaningful regulatory flexibility and streamlining of the HCV program, within its existing authority. In doing so, NAHRO advocates for preserving the original principles of the HCV program that does not disenfranchise low-income families, housing agencies or the communities they serve.