James M. Inglis, Senior Vice President
National Association of Housing and Redevelopment Officials
The Subcommittee on Housing and Community Opportunity
June 10, 2003

Good morning, Mr. Chairman. I want to thank you for the opportunity to testify before you today to discuss the Housing Choice Voucher (HCV) Program. My name is James M. Inglis and I am the Executive Director of the Livonia Housing Commission in Livonia, Michigan. As Executive Director of the Livonia Housing Commission, I oversee housing and community development programs that assist approximately 1,500 low- and moderate-income families. The Commission administers the conventional Public Housing Program, Section 8 New Construction Program, Community Development Block Grant Program, HOME, Local Bond Financed low-income housing and the HCV Program. The Commission is currently a high performer under the Public Housing Assessment System and the Section 8 Management Assessment Program.

I am here in my capacity as Senior Vice President of the National Association of Housing and Redevelopment Officials (NAHRO). NAHRO is the oldest and largest membership organization in the United States devoted to affordable housing and community development. NAHRO represents more than 19,000 agencies and individuals. NAHRO members administer approximately 93 percent of the nation's Section 8 tenant-based housing choice vouchers. We also represent about a third of the state agencies that administer the voucher program. In total, our members administer more than 95 percent of all vouchers and public housing units.

Efficiency, Cost Effectiveness and Inclusiveness

The HCV program is highly successful, serving nearly 2 million families nationwide. The congressionally chartered Millennial Housing Commission found the program is "flexible, cost-effective, and successful" and should continue to be the "linchpin" of national housing policy. Bipartisan reforms enacted in 1998's Quality Housing and Work Responsibility Act (QHWRA) streamlined the program and set the stage for improvements in voucher utilization, which are estimated to be in the neighborhood of 94 to 96 percent this year and next, respectively. Actions taken by Congress in FY 2003 created a more efficient funding system that, with accurate and timely information, will serve all authorized families using vouchers while reducing the recapture of unused budget authority. This record of success makes the administration's proposal to transfer administration of the voucher program to the states (H.R. 1841, the Housing Assistance for Needy Families Act of 2003) perplexing to us.

The Administration proposed H.R. 1841 with the assumption that programmatic reform and greater efficiency could only occur if the states administered the program. This is not true. The HCV program currently ensures that families use at least 90 percent of the vouchers for each agency. HUD projects an average national voucher lease up rate in FY 2004 of 96 percent. In education terms, the voucher program is performing at the same rate as an honors student in our local school.

Imagine if the schools in your congressional district were graduating children with grades of over 90 percent. If comparable grades were given to housing agencies no one would suggest that reform of HANF's magnitude is necessary.

A new NAHRO report shows states would face $1.1 billion to $1.8 billion in costs over the next five years to close the funding gap likely to be created by HANF. Whether inflated by Consumer Price Index or Annual Adjustment Factors, 42 out of the 50 states (84 percent) would experience funding shortfalls under HANF over the next five years. An explanation for how each of the states would likely be affected is included in Attachment A.

HUD already has the ability within its existing framework to implement regulatory reforms to improve the program's current success. Such steps include completing the streamlined Section 8 Project-Based Voucher rule; streamlining Fair Market Rent adjustments through use of current information and delegation of authority to its field and regional offices; timely reallocation of unused vouchers; completing efforts at small agency deregulation; facilitating the use of the consortium provision under QHWRA, and sharing a recent Section 8 utilization study with Local Housing Agencies (LHAs) and Congress. NAHRO recently submitted a letter to Secretary Martinez recommending the Department take these actions to accomplish its stated goals (see Attachment B).

The Livonia Housing Commission understands the local housing market as it relates to vacancy rates, reasonable rents, and housing quality issues. The local flexibility and authority to set fair market rents that reflect the actual rents in the area and the ability to adjust in a changing market is critical for voucher utilization. As a current high performer under the Section 8 Management Assessment Program (SEMAP), my agency is granted no regulatory relief. The Department is citing the burden of administering 2,510 Voucher agencies in proposing HANF. Instead, they would be well served to reform SEMAP, Section 8 Project Basing and deregulate small-medium size agencies, which pose no financial or administrative risk to the Department.

HANF's departure from the program's current structure, where funds go directly to local agencies based on communities' relative worst-case housing needs within each state, agency's utilization rates, and elements of SEMAP, concerns us for many reasons.

HANF will allow a state's governor to determine rental assistance funding levels, which would influence where families lease units and how funds will be distributed. The need for economies of scale and ease of program administration could reduce vouchers for rural families. This scenario already has occurred in several states, which then chose to divest themselves of the HCV program to LHAs. Currently, eligible families in need, regardless of location, receive assistance if they qualify.

Second, imposing current federal funding, monitoring and oversight responsibilities on the states will add a layer of bureaucracy, complication and expense to rental assistance. Ostensibly, the HANF proposal does not eliminate the structure of the existing voucher program immediately. A "grandfather" clause would require states to maintain the existing program structure and rules concurrently as they develop infrastructure and technology to administer a new program. The Administration allowed for this development by budgeting up to $100 million for new infrastructure and technology – money that could otherwise be used to assist almost 16,000 low-income families.

Housing voucher assistance is essentially a local function, reliant upon local agencies to work with landlords and changing local markets to help families find housing at a reasonable cost. LHAs have over 30 years of experience administering the HCV program in all 50 states, except Alaska. Local agencies have developed relationships with landlords that could be jeopardized with such a drastic change to the existing program. A list of the benefits offered by local administration of the program is located in Attachment C.

For example, the Consolidated Plan required by the Community Development Block Grant Program requires my agency to identify the housing needs of families, elderly and disabled and further identify and propose housing strategies to address those needs. The HCV program is a key program, which provides housing assistance to low- and moderate-income families of various size. The loss of this valuable resource to the state will inevitably result in reduced assistance to our low-income residents.

Additionally, the Livonia Housing Commission has an excellent relationship and cooperation with the City of Livonia and local landlords, which enable us to attract new landlords, address local housing quality issues and allocate housing and community development resources to local neighborhood. Local flexibility and relationships would be disrupted by state administration of the Voucher program.

Out of 50 states, more than half have: 1) no experience administering the program, 2) voluntarily or involuntarily relinquished all or part of the program, or 3) administer 5 percent or less of the vouchers. On a national basis, LHAs administer approximately 86 percent of vouchers, and states administer the remaining 14 percent. On balance, nothing indicates states are prepared to assume full administration of HUD's largest assisted-housing program, serving nearly 2 million households. Some states will consider subcontracting the program to LHAs or nonprofits after first reserving their own administrative and overhead costs. The net effect is to introduce an expensive middleman into the program, thereby reducing the resources most available for the people that need them. More government in a time of scarce resources is not the solution.

NAHRO believes that proposals seeking to create regional or state housing organizations to administer the Section 8 program nationwide, will not address the real obstacles to poverty deconcentration and lack of metropolitan-wide access to extremely low- and low-income households receiving Section 8 assistance**.** Proposals to "regionalize" the Section 8 program are put forth with the assumption that changing the local administration of the program will alleviate the concentration of Section 8 households as well as alleviate poverty concentration. Systemic problems such as Section 8- and poverty-concentration result from the complexities of the rental housing market, exclusionary zoning practices designed to limit the availability of affordable rental housing, and housing discrimination, among other factors.

Third, Congress enacted a provision in the FY ’03 appropriations bill that allows housing agencies to more accurately account for voucher costs for the next fiscal year. For the first time, HUD could more accurately predict the amount needed to run the voucher programs and thus reduce recaptured funds. Congress funded vouchers currently in use, but remained committed to fund all authorized vouchers in a fiscal year at their full value. This is not a cut to the program, but a more accurate means of funding the real costs of serving families while rewarding good performance. There is no such provision in HANF. It makes sense to allow the 2003 reform to take effect before dramatically changing the program.

Fourth, HUD’s FY 2004 HANF proposal would cap Section 8 administrative fees to 10 percent of housing agencies’ Annual Budget Authority for units under lease, which would undermine self-sufficiency efforts, unfairly lower administrative fees in rental markets where agencies had relatively lower Housing Assistance Payments, and jeopardize necessary funding to ensure program compliance as well as services to families.

NAHRO completed a recent study on the impact the proposed 10 percent administrative fee cap would have on current state housing agencies administering the program (see Attachment D). The study shows the current HANF proposal will result in an unfunded mandate on the states. There is no provision for an increase in administrative fees for state administration. Under a 10 percent cap, the states will either have to expend their own resources to provide adequate coverage or retain a portion of administrative fees that are used to support local capacity. Diminished local capacity will impact communities' ability to respond to the needs of their communities. For example, Colorado's local housing agencies were the first responders in assisting those who were left homeless as a result of recent wildfires, tornadoes and floods.

NAHRO’s study estimates that HANF would reduce administrative fees by 13 percent ($12.9 million) for states and territories handling the Section 8 tenant-based HCV program, compared with current fees. NAHRO found the fee cap seems to disproportionately harm state housing agencies working in multiple, non-metropolitan areas or with low housing costs. States and territories currently administer 14 percent of the nation’s authorized vouchers. Financial losses are likely to grow dramatically if states assume administration of the remaining 86 percent of units under HANF. Such losses would undermine states’ ability to adequately serve low-income households, whether they administered the program directly or subcontracted to local entities.

Despite proposed administrative fee reductions, HANF would require states to maintain housing quality standards, ensure reasonable rents, and track individual income and employment information. States subcontracting with local agencies or even operating local offices—which they must do to cover large geographic areas—must manage administrative fees accordingly. At the same time, states will assume oversight and information management responsibilities, many of which are now conducted by HUD. The costs of this transition could be substantial.

Examination of the HANF proposal's provisions on funding for Housing Assistance Payments or administrative fees does not reveal an encouraging picture—either for local housing agencies or for the state entities that would ultimately administer the block-granted voucher program. NAHRO believes that both state and local housing agencies and the communities they serve are better off under the existing HCV program than they would be under the HANF proposal.

Fifth, HUD is asking Congress to make the difficult and unnecessary decision to reduce assistance to families on the program. HANF makes no provisions for adjusting the overall appropriation for actual housing costs. Instead, it uses housing costs as one of several measures for apportioning the finite block grant between states. The current HCV funding system adjusts to actual rental costs.

Historically, block grants fail to keep pace with inflationary adjustments, let alone real costs. Rents have increased over the past five years by an average 25 percent, while the Consumer Price Index has risen only 12 percent. The history of block grant funding for domestic programs strongly suggests significant appropriations risks to states and participating property owners under HANF. If the value of the block grant erodes, states will need to serve higher-income families, reduce the number of low-income families served, or supply scarce state funds to fill the gap left by federal retrenchment. "Flexibility" may mean the freedom to choose between unpalatable options. If you support and adopt this proposal, you will in effect reduce the assistance low-income families receive over time.

Sixth, I am also concerned that HANF would give the Department the ability to exceed 80 percent Area Median Income (AMI) for the elderly and disabled. This policy calls into question the public value of the program for low-income households. As worded, HANF assistance could be misdirected as an operating subsidy to market-rate rental housing, homeownership and assisted living arrangements for seniors and disabled households, representing a major shift in national housing policy objectives. The removal of state and local barriers to affordable housing are stipulated as performance standards that the Secretary could use to withhold funds, but other criteria such as furthering disability access and fair housing compliance are not mentioned. HANF appears to shift responsibility for establishing major policy objectives from Congress to the Department.

Under HANF, HUD may establish higher income ceilings for elderly and disabled families. At least 75 percent of new admissions must have incomes under 30 percent of AMI. However, HUD may grant a waiver lowering the targeting requirement to as few as 55 percent of new admissions under 30 percent of AMI if the state demonstrates inability to reach 75 percent targeting.

While the targeting provision is similar to HCV program requirements, the legislation seems to apply the targeting on a statewide, aggregate basis. In practice, this would allow governors to serve certain parts of the state with 100 percent of the vouchers going to households at or above 80 percent AMI, while serving other parts of the state with 100 percent of the vouchers going to households below 30 percent AMI, so long as in the aggregate they met the income targeting requirements below 30 percent AMI. By contrast, the current income targeting requirement of 75 percent of vouchers going to households below 30 percent AMI must be met within the service area for each LHA that administers the program, allowing for a greater diversification of assisted households throughout each state. If enacted, HANF would mark a dramatic change in one of the basic tenets of the program reached by bi-partisan agreement during QHWRA. Furthermore, HANF allows Governors to set different payment standards within the state. If QHWRA's income targeting requirements and Fair Market Rent structure are both compromised under HANF, it would allow for states to further segregate low-income households into communities of haves and have-nots through economic or other pressures, while using Federal funds. The program's current structure enables low-income households to live largely in poverty deconcentrated neighborhoods which has been a big part of its success in enabling families to enjoy a better quality of life as well as to self-sufficiency. We do not believe that it is the intention of Congress to undo this progress.

Since the enactment of QHWRA the eligibility income limits under the Section 8 HCV program have been at 80 percent of AMI. However, LHAs that want to serve households with incomes above 50 percent of AMI under the existing program must provide its justifications in their PHA Plan. The current PHA Plan process is an important community accountability tool, incorporating the comments of a Resident Advisory Board requiring public hearings. PHAs choosing to alter their policies must first answer directly to the concerns of their community.

Seventh, while presented as an attempt to increase flexibility, the HANF proposal continues requirements that fit within the Department's priorities. The proposal would allow HUD significant discretion in designating the performance criteria that would determine future funding eligibility. For example, the proposal would *mandate* a $50 minimum tenant rent. Congress already *permits* LHAs to establish minimum rents between $0- $50 per month. This would seem to be a reduction in choice for local communities, but it is an administration priority. Under HANF, states would be saddled with the "flexibility" to grant a hardship exemption on a case-by-case basis.

Additionally, HANF's funding comes with some future HUD performance requirements that would usurp state and local decision-making. Under HANF, states must incorporate HUD's future and yet undefined performance standards into their Comprehensive Housing Affordability Strategy (CHAS), propose performance standards, and report accomplishments based on those standards.

Eighth, the bill is also unclear about the consequences when governors opt out of the program. Many states are facing their worst deficits since World War II. Already, the governors of Pennsylvania, Illinois, Oregon and Washington have declined to participate in HANF. The HANF proposal's fiscal demands and complexity will likely cause many more to opt for the current local administrative mechanism.

It is a false notion to suggest the Section 8 HCV program will be run more efficiently by 50 States and four Territories than by the 2,510 local housing agencies. HUD's assertion that it cannot properly oversee 2,510 local housing agencies is not supported by its own *SEMAP Report to Congress* (April 2002). HUD's report demonstrated the quality of its management information systems to provide proper oversight and accountability to all existing housing agencies. HUD's report states, "It does seem to be used already as the tool it was intended to be: to help HUD Field Offices focus limited resources in the most effective way, to monitor PHA performance and to allow HUD to effectively target technical assistance." In FY 2001, GAO reported: "HUD was above the rest of the government in aspects of agency climate, performance measurement, and particularly, in the use of performance information." According to HUD's FY 2004 Annual Performance Plan, only 6.1 percent of units are expected to be administered by troubled housing agencies in 2003.

Despite HUD's success in overseeing approximately 2,510 housing agencies that administer the HCV program as demonstrated in its SEMAP report to Congress, HUD's senior officials now claim that the Department is not capable of overseeing this many agencies. In fact, direct reporting of program information to HUD through HUD's Public and Indian Housing Information Center via the Internet provides efficient and effective monitoring and oversight of existing housing agencies. While it is true that these systems encounter occasional difficulty, any system problems that occur are likely to be replicated within the multiplicity of state reporting systems that would be created under HANF. The federal government has an appropriate economy of scale to address such information system issues. HUD officials have talked about devolving oversight and greater decision-making responsibility from HUD Headquarters to its Regional and Field Offices. If the Department follows through with its plan, it will have even greater oversight capabilities.

Under this Administration, HUD officials have devolved greater oversight and decision-making responsibility from HUD Headquarters to its Regional and Field Offices on SEMAP, to expand its capabilities in the field. In addition, the Section 8 HCV program has one of the department's few financial information systems cleared by GAO – HUDCAPS - to effectively monitor 2,510 housing agencies.

It is important to note that many states currently have manual reporting systems, and will have to manage the cost and conversion of data for approximately 2 million households from LHAs to the state level. If enacted, HANF would create the largest administrative upheaval the program has ever experienced, take program administration farther away from the communities it was designed to serve, and disrupt what is otherwise a stable funding source for almost a million property owners around the country. HANF would create an unwieldy patchwork system that would strain HUD's Public and Indian Housing Regional and Field Office staff who often cover both Section 8 HCV and Public Housing programs.

Conclusion

The current program works. It does need improvements, as articulated in our letter to the Secretary. The HANF proposal is a solution looking for a problem. The Department has not offered any credible evidence to suggest that the current program needs dramatic overhaul of this nature, that HANF offers a significant improvement to the current and that reforms enacted within the last year are not working. We strongly recommend that the subcommittee not pass the HANF proposal but look to the administrative recommendations we have made to the Secretary and encourage the Department to pursue improvements of the existing program within its current purview.

National Association of Housing and Redevelopment Officials
630 Eye Street NW, Washington DC 20001-3736
Toll Free 1 (877) 866-2476
Fax (202) 289-4961

NAHRO DirectNews: Section 8
Attachment A - NAHRO Expands On Study To Project States' Future Shortfall under HANF

May 29, 2003 - A new NAHRO report shows states would face $1.1 billion to $1.8 billion in costs to close the funding gap created by the administration's voucher block grant proposal. The Housing Assistance for Needy Families (HANF) proposal, H.R. 1841, would block grant Housing Choice Vouchers (HCV) to the states.

States' average annual funding shortfalls under HANF represent a 2 to 3 percent reduction in states' annual budget authority under the HCV program, using HUD's Annual Adjustment Factors (AAF) and the Consumer Price Index (CPI) respectively. Whether inflated by CPI or AAF, 42 out of the 50 states (84 percent), would experience a funding shortfall under HANF over the next five years.

NAHRO's report, recently released to Congress, builds upon a recent study by the Center on Budget and Policy Priorities (CBPP) which examined the difference between each states' Section 8 rental cost increases versus HUD's AAFs and the CPI over the last five years.

CBPP's study found that over the past five years, Fair Market Rents (minus the national average tenant rent) increased on average by 25 percent, while the CPI rose by only 12 percent over the same period. Historically, block grants have not kept up with inflation, let alone real costs. HANF makes no provisions for adjusting the overall appropriation for actual housing costs. Instead, it uses housing costs as just one of several measures for apportioning the finite block grant between states, based on the amount appropriated by Congress in FY 2005 and beyond. In comparison, the current voucher program is funded based on actual rental costs, so as housing costs rise, subsidy levels rise, and vice-versa.

According to CBPP, "had the voucher program been converted to a block grant to states five years ago, states would have been forced to reduce the level of voucher assistance they provide by 8 percent (equivalent to 163,000 vouchers) if funding had been adjusted using the Section 8 annual adjustment factors and by 13 percent (equivalent to 259,000 vouchers) if funding had been adjusted based on the CPI."

NAHRO applied the FY 2003 average per unit cost (PUC) for each state (based on November 2002 Local Housing Agencies survey data) to the number of families CBPP's study found would not have been funded over the last five years. Using CPI as the inflation factor, NAHRO projects funding shortfalls for states under HANF over a five-year period to equal approximately $1.8 billion nationally, ranging from $100,000 in Wisconsin to $727 million in California, affecting 42 out of the 50 states.

Using FY 2003 PUC provides conservative cost figures. A more accurate and likely more costly projection would include the projected average PUC from FY 2005 – FY 2009.

NAHRO also determined the amount of each states' annual funding shortfall under HANF as a percentage of their FY 2003 annual budget authority. California, Massachusetts, and the District of Columbia would have experienced a 6 percent cut from their annual budget authority in FY 2003. Colorado, Maryland and Minnesota would have experienced a 5 percent annual cut; Missouri, Virginia and Georgia 4 percent; and Arizona, Ohio, New Hampshire and Oklahoma 3 percent. Twelve other states would have experienced an annual cut of 2 percent, and 7 other states would have experienced a 1 percent cut. Seemingly small percentage reductions in HCV budget authority amount to large amounts of funding cuts, since more than 1. 8 million families are served under the program at an average annual per unit cost of approximately $6,372.

In general, states face their worst fiscal condition since World War II. The National Governor's Association (NGA) state they face a $30 billion gap between revenues and spending commitments in FY 2003. The NGA also anticipates a funding shortfall of $82 billion in FY 2004. States' fiscal problems have resulted in frozen programs or cuts. The General Accounting Office, a non-partisan arm of the federal government, testified on block granting during a 1995 Senate hearing, stating, "Given that states tend to cut services and raise taxes during economic downturns, these cash assistance programs could experience funding reductions that could affect vulnerable populations. Unlike the federal government, state governments have less flexibility to initiate financial measures to counter economic trends. In addition, some experts suggest that states have not always maintained state funding for cash assistance programs in times of fiscal strain."

If the value of the HANF block grant erodes over time, as history and CBPP's study suggest, states would be faced with unfortunate choices — providing shallower subsidies, serving relatively higher-income families, reducing the number served, or supplying scarce state funds to fill the gap left by federal retrenchment. The "flexibility," HUD advertises for HANF may mean the freedom to choose between these unpalatable options.

NAHRO members are encouraged to use this information with local and state elected officials, as well as local media outlets. NAHRO members are encouraged to attend congressional members' town meetings when they are back in their home districts for the Memorial Day District Work Period May 26 – 30.

An overview of all 50 states can be downloaded at: /members/news/2003/may/HANF-5years.pdf

One-page explanations for each of the 50 states with projected funding shortfalls can be found at: /members/news/2003/may/HANFallstates.pdf (Large file - 334 kb, allow time for download).

A full copy of CBPP's study on which NAHRO based its funding shortfall projections, can be located at: http://www.cbpp.org/3-3-03hous2.htm.

Questions and comments about this study should be directed to Policy Analyst Jonathan Zimmerman at jzimmerman@nahro.org, 1-877-866-2476 ext. 238 or Program Analyst Rosemary Ngwiri at rngwiri@nahro.org or ext. 229.

States' Projected Shortfall Under HANF Over the Next Five Years

State	# of Vouchers	Difference Between State's Rental Costs vs. CPI (Over Last 5 Years)	Number of Families Not Federally Funded (Over 5 Years)	State's Annual Per Voucher Cost	Funding Shortfall to State Using CPI	Difference Between State's Rental Costs vs. AAF (Over Last 5 Years)	Number of Families Not Federally Funded (Over 5 Years)	Funding Shortfall to State Using AAF	State's Total HCV Budget Authority in FY 2003	Annual Reduction in Annual Budget Authority Under HANF, Using CPI as Inflation Factor	Annual Reduction in Annual Budget Authority Under HANF, Using AAF as Inflation Factor
Alabama**	27,779	1%	304	$3,852	**$1,171,008**	-3%	-756	**-$2,912,112**	$106,165,791	**0%**	**-1%**
Alaska**	4,093	4%	167	$6,360	**$1,062,120**	1%	33	**$209,880**	$25,827,393	**1%**	**0%**
Arizona**	20,277	-16%	-3,286	$6,072	**-$19,952,592**	-13%	-2,573	**-$15,623,256**	$122,156,668	**-3%**	**-3%**
Arkansas**	22,465	2%	423	$3,864	**$1,634,472**	-2%	-394	**-$1,522,416**	$86,124,211	**0%**	**0%**
California**	301,398	-29%	-87,018	$8,364	**-$727,818,552**	-16%	-47,647	**-$398,519,508**	$2,501,129,072	**-6%**	**-3%**
Colorado**	27,887	-23%	-6,346	$5,976	**-$37,923,696**	-8%	-2,254	**-$13,469,904**	$165,346,155	**-5%**	**-2%**
Connecticut**	34,077	-9%	-3,070	$7,260	**-$22,288,200**	-5%	-1,782	**-$12,937,320**	$245,459,412	**-2%**	**-1%**
Delaware**	4,526	-2%	-69	$6,024	**-$415,656**	-3%	-146	**-$879,504**	$27,050,869	**0%**	**-1%**
DC	9,886	-27%	-2,719	$8,304	**-$22,578,576**	-22%	-2,223	**-$18,459,792**	$81,449,732	**-6%**	**-5%**
Florida**	89,885	-8%	-6,758	$6,900	**-$46,630,200**	-9%	-7,827	**-$54,006,300**	$615,344,081	**-2%**	**-2%**
Georgia**	47,555	-19%	-8,896	$7,212	**-$64,157,952**	-12%	-5,822	**-$41,988,264**	$340,277,801	**-4%**	**-2%**
Hawaii**	11,967	37%	4,364	$8,484	**$37,024,176**	21%	2,489	**$21,116,676**	$100,732,048	**7%**	**4%**
Idaho**	6,463	6%	381	$4,884	**$1,860,804**	0%	0	**$0**	$31,317,820	**1%**	**0%**
Illinois**	84,223	-11%	-9,115	$7,428	**-$67,706,220**	-1%	-721	**-$5,355,588**	$620,703,674	**-2%**	**0%**
Indiana**	36,373	-1%	-432	$4,836	**-$2,089,152**	-1%	-512	**-$2,476,032**	$174,520,773	**0%**	**0%**
Iowa**	21,315	-1%	-167	$4,176	**-$697,392**	-5%	-1,095	**-$4,572,720**	$88,313,590	**0%**	**-1%**
Kansas**	10,637	-9%	-980	$5,004	**-$4,903,920**	-7%	-716	**-$3,582,864**	$52,810,244	**-2%**	**-1%**
Kentucky**	31,067	-2%	-751	$4,836	**-$3,631,836**	-6%	-1,783	**-$8,622,588**	$149,062,130	**0%**	**-1%**
Louisiana**	36,513	-10%	-3,486	$4,296	**-$14,975,856**	-12%	-4,208	**-$18,077,568**	$155,630,067	**-2%**	**-2%**
Maine**	12,413	-7%	-830	$5,532	**-$4,591,560**	-8%	-966	**-$5,343,912**	$68,130,353	**-1%**	**-2%**
Maryland**	42,318	-24%	-10,160	$6,408	**-$65,105,280**	-19%	-8,052	**-$51,597,216**	$269,047,742	**-5%**	**-4%**
Massachusetts**	72,501	-28%	-19,937	$9,732	**-$194,026,884**	-15%	-11,074	**-$107,772,168**	$700,047,987	**-6%**	**-3%**
Michigan**	44,731	-9%	-3,849	$5,460	**-$21,015,540**	-7%	-3,033	**-$16,560,180**	$242,316,487	**-2%**	**-1%**
Minnesota**	29,605	-24%	-6,993	$7,284	**-$50,937,012**	-14%	-4,267	**-$31,080,828**	$213,952,180	**-5%**	**-3%**
Mississippi**	17,133	-4%	-637	$4,620	**-$2,942,940**	-9%	-1,489	**-$6,879,180**	$78,533,889	**-1%**	**-2%**
Missouri**	41,014	-22%	-8,819	$4,728	**-$41,696,232**	-16%	-6,334	**-$29,947,152**	$192,393,905	**-4%**	**-3%**
Montana**	5,872	1%	27	$2,448	**$66,096**	1%	79	**$193,392**	$14,261,959	**0%**	**0%**
Nebraska**	11,494	-5%	-520	$3,528	**-$1,834,560**	-9%	-998	**-$3,520,944**	$40,232,913	**-1%**	**-2%**
Nevada**	11,671	-9%	-1,004	$6,840	**-$6,867,360**	-5%	-588	**-$4,021,920**	$79,203,776	**-2%**	**-1%**
New Hampshire**	9,178	-14%	-1,249	$6,312	**-$7,883,688**	-2%	-158	**-$997,296**	$57,477,353	**-3%**	**0%**
New Jersey**	65,860	-8%	-5,203	$7,992	**-$41,582,376**	-1%	-322	**-$2,573,424**	$522,226,512	**-2%**	**0%**
New Mexico**	13,634	-1%	-144	$5,556	**-$800,064**	-4%	-555	**-$3,083,580**	$75,156,620	**0%**	**-1%**
New York**	200,988	-6%	-12,347	$7,008	**-$86,527,776**	0%	-20	**-$140,160**	$1,397,481,077	**-1%**	**0%**
North Carolina**	54,250	-8%	-4,301	$4,452	**-$19,148,052**	-11%	-5,957	**-$26,520,564**	$239,627,475	**-2%**	**-2%**
North Dakota**	7,614	-1%	-37	$3,828	**-$141,636**	2%	113	**$432,564**	$28,917,884	**0%**	**0%**

States' Projected Shortfall Under HANF Over the Next Five Years

State	# of Vouchers	Difference Between State's Rental Costs vs. CPI (Over Last 5 Years)	Number of Families Not Federally Funded (Over 5 Years)	State's Annual Per Voucher Cost	Funding Shortfall to State Using CPI	Difference Between State's Rental Costs vs. AAF (Over Last 5 Years)	Number of Families Not Federally Funded (Over 5 Years)	Funding Shortfall to State Using AAF	State's Total HCV Budget Authority in FY 2003	Annual Reduction in Annual Budget Authority Under HANF, Using CPI as Inflation Factor	Annual Reduction in Annual Budget Authority Under HANF, Using AAF as Inflation Factor
Ohio**	84,750	-14%	-11,663	$5,712	**-$66,619,056**	-11%	-9,415	**-$53,778,480**	$480,296,719	**-3%**	**-2%**
Oklahoma**	23,339	-13%	-3,056	$5,352	**-$16,355,712**	-16%	-3,784	**-$20,251,968**	$123,931,031	**-3%**	**-3%**
Oregon**	31,525	-8%	-2,486	$5,868	**-$14,587,848**	-6%	-1,788	**-$10,491,984**	$183,538,389	**-2%**	**-1%**
Pennsylvania**	80,301	-7%	-5,861	$7,008	**-$41,073,888**	-6%	-5,112	**-$35,824,896**	$558,337,453	**-1%**	**-1%**
Puerto Rico**	30,914			$5,940	**$0**			**$0**	$182,189,507	**0%**	**0%**
Rhode Island**	9,345	14%	1,343	$5,856	**$7,864,608**	12%	1,092	**$6,394,752**	$54,295,281	**3%**	**2%**
South Carolina**	23,907	-1%	-324	$5,124	**-$1,660,176**	-5%	-1,137	**-$5,825,988**	$121,539,072	**0%**	**-1%**
South Dakota**	5,827	-2%	-136	$3,144	**-$427,584**	-1%	-76	**-$238,944**	$18,176,459	**0%**	**0%**
Tennessee**	30,139	-4%	-1,038	$5,544	**-$5,754,672**	-7%	-2,047	**-$11,348,568**	$165,780,626	**-1%**	**-1%**
Texas**	140,165	-11%	-15,846	$6,924	**-$109,717,704**	-6%	-7,705	**-$53,349,420**	$962,893,721	**-2%**	**-1%**
Utah**	10,673	-22%	-2,388	$5,412	**-$12,923,856**	-21%	-2,181	**-$11,803,572**	$57,309,420	**-5%**	**-4%**
Vermont**	6,098	-5%	-318	$5,760	**-$1,831,680**	-7%	-421	**-$2,424,960**	$34,849,104	**-1%**	**-1%**
Virgin Islands**	1,032			$5,976	**$0**			**$0**	$6,118,881	**0%**	**0%**
Virginia**	44,386	-20%	-8,665	$5,472	**-$47,414,880**	-18%	-8,058	**-$44,093,376**	$240,976,011	**-4%**	**-4%**
Washington**	40,668	-12%	-4,729	$7,512	**-$35,524,248**	-1%	-221	**-$1,660,152**	$303,102,912	**-2%**	**0%**
West Virginia**	14,954	-2%	-217	$3,888	**-$843,696**	-4%	-548	**-$2,130,624**	$57,685,325	**0%**	**-1%**
Wisconsin**	28,001	0%	-23	$4,356	**-$100,188**	0%	123	**$535,788**	$121,016,093	**0%**	**0%**
Wyoming**	2,650	1%	20	$4,596	**$91,920**	1%	37	**$170,052**	$12,083,914	**0%**	**0%**
Total	2,077,336	-13%	-258,841		**-$1,884,930,744**	-8%	-162,800	**-$1,117,214,088**	$13,592,549,559	**-3%**	**-2%**
****PIC**											

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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

May 29, 2003

The Honorable Mel Martinez
Secretary
Department of Housing and Urban Development
451 Seventh Street, Southwest, Room 10000
Washington, DC 20410

Dear Mr. Secretary:

On behalf of the National Association of Housing and Redevelopment Officials (NAHRO) I would like to offer what I believe are more appropriate changes to the Housing Choice Voucher (HCV) program than the Housing Assistance for Needy Families (HANF) initiative.

The HCV program is a highly successful program, serving nearly 2 million families nationwide. The congressionally-chartered Millennial Housing Commission reported the program should continue to be a “linchpin” of national housing policy and is “flexible, cost-effective and successful.” Bipartisan reforms enacted in 1998’s Quality Housing and Work Responsibility Act (QHWRA) streamlined the program and set the stage for improvements in voucher utilization, which Assistant Secretary Liu predicted will reach 96 percent in 2004. Congress created a more efficient funding system in FY 2003 with accurately and timely information that will meet the goals of serving all families authorized for vouchers while reducing the recapture of unused budget authority. We believe HUD should move forward and build on the success of the current program.

NAHRO believes HUD has demonstrated the capacity to successfully manage the Section 8 HCV program. HUD already is authorized to take steps to meet its stated goals of streamlining operations and contributing to further increases in utilization without further legislative action. NAHRO believes HUD should move forward with program improvements that could be taken immediately including:

Complete the Streamlined Project-based Voucher Rule

The Section 8 project-based assistance program allows Local Housing Agencies (LHAs) to attach up to 20 percent of their voucher program funds to particular buildings. Such “project-basing” of vouchers has proved effective in promoting new construction or substantial rehabilitation of rental housing, or in simply securing landlord participation by committing a set number of voucher units to an existing property. Under the program, LHAs can combine project-based vouchers with Low Income Housing Tax Credits, HOME funds, or other sources to further expand development, asset management and revenue diversification opportunities.

HUD issued initial guidance in January 2000 on the Section 8 project-based voucher assistance program. The initial guidance presents a number of unnecessary difficulties, however. HUD demonstrated willingness to improve and streamline the program during a roundtable stakeholder meeting in June 2001. Yet, HUD still has not issued an interim rule on this program years after the law that created it was enacted. The Section 8 project-based assistance program, if properly streamlined, holds great promise to serve special populations (i.e. non-elderly disabled households), deconcentrate neighborhoods, improve utilization rates, and increase affordable housing development.

Accurately React to Changing Market Conditions

Congress has provided HUD with additional funds to increase its Random Digit Dialing (RDD) surveys in an effort to more accurately gauge changing rental markets. HUD used these funds to good effect, performing RDD surveys, and as a result, increased the accuracy of Fair Market Rents (FMRs) in a number of Metropolitan Areas including Boston and Los Angeles. With access to existing rental market data, HUD can approve LHAs' requests for exception payment standards above 110 percent of the FMR within a month. HUD has an existing structure of regional economists equipped with data and market knowledge necessary to make these judgements. Access to timely information will only increase as impending federal data sources, including the 2000 Census and American Community Survey, come on line. HUD has the combination of data sources and experience to streamline this process.

Timely Reallocation of Unused Vouchers

In July 2002, HUD posted a request for LHAs (at or above 97 percent voucher lease-up or budget utilization rates) to apply for a relatively small number of reallocated vouchers that went chronically underutilized. HUD stopped the process and did not reissue the vouchers after finding they had made an administrative error. Since then, HUD officials told NAHRO they plan to reallocate unused vouchers this summer. If last year was an indication, there may be few unused vouchers to reallocate. However, NAHRO believes this structure is an important tool in maintaining utilization. HUD should move forward with reallocation and notify Congress and stakeholders of its progress, in light of its administrative error and delay.

Complete Small Agency Deregulation

On August 14, 2002, HUD issued a proposed rule to deregulate small agencies. The department reduced the usual 60-day comment period to just 30 days in an effort to put an effective rule in place at the beginning of Fiscal Year 2003. The goal was to alleviate some administrative burdens as soon as possible, thus better enabling small LHAs to focus on their core mission of providing decent, safe, and affordable housing. Unfortunately, HUD has not yet issued an interim or final rule to effect positive change.

Facilitate the Use of QHWRA’s Consortium Provision

The consortium statute (Section 13(a)(2)(B) of the U.S. Housing Act allows LHAs to administer a multitude of programs in consortium with one another. Such joint administration can include Housing Choice Voucher programs. While this statutory provision has been implemented in regulation, the present structure of the PIC system and the range of programs and operational elements within each program, such as reporting requirements and draw-down procedures, make interaction between HUD and consortia unnecessarily difficult. For example, HUD’s separate approval and requisition processes should be streamlined to accommodate consortia. Another positive step could be the approval by the Department of standardized agreements for consortia, which are developed in cooperation with NAHRO and other industry groups. While a good many agencies have formed consortia, more could do so if efforts were made by the Department to facilitate this process administratively.

Issue Voucher Lease-up and Budget Utilization Study

In 2002, the Department commissioned a comprehensive voucher utilization study to better understand reasons for the differences among LHAs in voucher utilization. The study found utilization rates were increasing rapidly during calendar years 2001 and 2002. It would assist Congress in understanding how rental housing market conditions (i.e. vacancy rates, etc.) affect voucher lease-up and budget utilization rates. HUD claims that HANF will improve national utilization rates, yet does not appear to be using the best available data to inform its decision-making. HUD should release the report to Congress so this critical information can inform any public debate on the voucher program.

In its five-year strategic plan, one of HUD's five main objectives is to lead housing and urban research and policy development nationwide. In the past, the Department has relied on program evaluations to determine effective uses of its resources and learn why programs work or fail. Evaluation results are used to improve the Department's strategies, programs and policies. NAHRO believes that wholesale changes to the program that serves the greatest number of families without thorough research on the efficacy of its proposal would not be effective or efficient use of Department resources.

Building on Success

QHWRA is a major piece of housing legislation intended to consolidate multiple programs, streamline program requirements and deregulate LHAs that perform well. It was designed to give them the maximum feasible authority, discretion and control with appropriate accountability to residents, localities and the general public. QHWRA brought welcome changes and new flexibility to the Section 8 voucher program, including more flexibility in rent setting, better lease terms for landlords, local preferences for admission and more discretion in tenant selection. In 1998, Congress passed QHWRA with bipartisan support. Among several congressional objectives of QHWRA was that the Section 8 Housing Choice Voucher program work more like the private market. The new flexibility offered by QHWRA has enabled LHAs to maintain effective voucher programs despite significant program growth and tight rental markets.

We believe that HUD should build on the success of bipartisan actions such as QHWRA reforms and the FY 2003 agreement creating a more efficient funding system reducing recaptures of unused budget authority. HUD can accomplish its stated objectives by fully implementing passed laws such as the one that created the Section 8 Project-Based Voucher program, as well as promulgating interim rules on small agency deregulation and moving forward with established rules.

Thank you for your time and I look forward to discussing this matter with you in more detail. Please feel free to contact me at 202-289-3500 ext. 225, or Julio Barreto, Director of Legislation, Program Development and Media, at ext. 231, or at jbarreto@nahro.org.

Sincerely,

Saul N. Ramirez, Jr.
Executive Director

cc: Senate Appropriations Committee
Senate Banking, Housing and Urban Affairs Committee
House Appropriations Committee
House Financial Services Committee

National Association of Housing and Redevelopment Officials
630 Eye Street NW, Washington DC 20001-3736
Toll Free 1 (877) 866-2476
Fax (202) 289-4961

Attachment C - Benefits of Local Administration of the HCV Program

1. In securing voucher funding, LHAs contribute an extremely valuable affordable housing resource to the locality. Vouchers are a critical component of affordable housing in every state and region. Because LHAs often provide a wide range of housing services, they can administer the voucher program cost effectively.

2. The community benefits from a voucher program that is locally based and responsive to the needs and priorities of the local citizenry. As public institutions, LHAs are open and accountable to the public. With governing boards typically appointed by elected local officials, LHAs are subject to democratic principles of governance.

3. LHAs are recognizable institutions. The community looks to the housing authority for housing services and knows where to turn to for assistance. Since housing authorities also own and operate public housing, voucher applicants can also be placed on the waiting list for public housing, increasing the chance of receiving housing assistance in a timely manner.

4. Membership in the local community allows LHAs to develop strong relationships with local property owners and managers where they have a detailed knowledge of local rental markets and sub markets. And having worked with landlords for so long, LHAs can administer housing quality standards effectively - encouraging them to improve housing quality and to participate and remain in the program.

5. Close ties to local government can give LHAs favorable consideration in the zoning and placement of affordable units to expand opportunities for the voucher population.

6. Nearly all LHAs have spent years developing strong partnerships with social service providers who furnish voucher families with a wide range of support services. They have close working relationships with local providers such as food banks, emergency shelter programs, housing search agencies, renters organizations, credit unions, credit counseling services, educational and instructional programs - such as those for displaced workers, or women entering the workforce, and English as a Second Language. One of the misconceptions of the HANF proposal is that it can be used to work with the Temporary Assistance for Needy Families (TANF). We already do that. In Livonia,

7. LHA resources can be effective in leveraging other public and nonprofit services for recipients of housing, including public safety and transportation systems.

8. The structure and longevity of LHAs allow specialized program staff to work with individual families over many years, if necessary, to encourage them toward self-sufficiency and independence. Similarly, housing authorities are best suited to manage the Section 8 homeownership program, which favors long-term relationships between the new homeowners and the administering agency.

9. Local communities understand and know what their community needs are in the areas of job training, housing and economic development. Local elected leaders and Local Housing Agency staff live there, work there, and spend their free time there. Involving those closest to the problems in designing solutions to those problems is also important. It would not make sense for decisions regarding the immediate needs of their local communities to be handled out of-town - by the State.

10. Finally, LHAs have a long history of managing federal housing programs, including over thirty years of administering Section 8 programs. LHAs are well acquainted with HUD, able to interpret and adapt to regulatory changes, and equipped with the staff and material resources to implement and monitor the expanding voucher program. In many ways, LHAs are the best organizations to administer the Housing Choice Voucher Program.

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National Association of Housing and Redevelopment Officials
630 Eye Street, Northwest, Washington, DC 20001-3736 (202) 289-3500
Toll Free 1 (877) 866-2476
Fax (202) 289-8181

NAHRO DirectNews: Section 8

Attachment D - NAHRO's HANF Admin. Fee Study: Average Loss of 13 percent from State Housing Agencies

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May 28, 2003 - NAHRO is continuing its analysis of HUD's Housing Assistance for Needy Families (HANF) proposal, which would block grant vouchers to the states. The association's new study estimates HANF would reduce administrative fees by 13 percent ($12.9 million) for states and territories handling the Section 8 tenant-based Housing Choice Voucher (HCV) program, compared with current fees

The HANF proposal would cap administrative fees at no more than 10 percent of annual budget authority. NAHRO found the fee cap seems to disproportionately harm state housing agencies working in multiple, non-metropolitan areas or with low housing costs. Many states do not currently administer the Section 8 tenant-based program. Of the states that manage the tenant-based program, NAHRO studied the 29 states and three territories with sufficient data in HUD's PIC system to complete the administrative fee study.

States and territories currently administer 10 – 14 percent of the nation's authorized vouchers. Financial losses are likely to grow dramatically if states assume administration of the remaining 86 – 90 percent of units under HANF. Such losses would undermine states' ability to adequately serve low-income households, whether they administered the program directly or subcontracted to local entities.

HANF's adverse impact on state housing agencies varies widely. Arizona's state housing agency faces a reduction of approximately $6,645 while New York's state housing agency stands to lose over $4 million annually. South Carolina's state housing agency would experience a 1 percent cut while Illinois' state housing agency would be cut by 46 percent. Delaware, Massachusetts and the Virgin Islands face no adverse effects.

States with largely metropolitan areas would not be severely impacted. For example, Massachusetts and New Jersey would see either 1 percent or zero reduction in administrative fees. Both states are made up of mostly metropolitan FMR areas, which tend to be priced higher than non-metropolitan areas. Compared with other states, Massachusetts has the highest per unit costs and New Jersey is ranked fifth. Current administrative fees are also based largely on metropolitan areas. As a result, both Massachusetts and New Jersey's HCV administrative fees are already at or below the 10 percent cap proposed under HANF.

Despite proposed administrative fee reductions, HANF would require states to maintain housing quality standards, ensure reasonable rents, and track individual income and employment information. States subcontracting with local agencies or even operating local offices—which they must do to cover large geographic areas—must manage administrative fees accordingly. At the same time, states will assume oversight and information management responsibilities, many of which are now conducted by HUD. The costs of this transition could be substantial.

Examination of the HANF proposal's provisions on funding for Housing Assistance Payments or administrative fees does not reveal an encouraging picture – either for local housing agencies or for the state entities that would ultimately administer the block-granted voucher program. The HANF proposal would transfer administration of the voucher to the states under the guise of increased flexibility. NAHRO believes that both state and local housing agencies are better off under the existing HCV program than they would be under the HANF proposal.

The results of NAHRO's study can be found for each state housing agency at /members/news/2003/may/HANF.pdf

NAHRO's research methodology for this study can be found at /members/news/2003/may/28_s8.cfm

NAHRO staff will share the results of its study with key members of Congress, Governors and affected agencies. NAHRO members are encouraged to use this information with local and state elected officials. NAHRO members are encouraged to attend congressional members' town meetings when they are back in their home districts for the Memorial Day District Work Period from May 26 – 30. In the coming days and weeks, NAHRO will provide ongoing analysis, information, and advocacy tools regarding the HANF proposal.

Questions and comments about this study should be directed to Housing Policy Analyst Jonathan Zimmerman at jzimmerman@nahro.org, 1-877-866-2476 ext. 238 or Research / Policy Analyst, Nyema Guannu, at nguannu@nahro.org or ext. 234.

NAHRO's Estimated Administrative Fee Redctions Under HANF, By State Housing Agency

State Housing Agency	HANF's Annual Admin Fee Reduction	% Admin Fee Reduction under HANF	HANF's Monthly Admin Fee Reduction Per Unit
AK	$491,442	16%	$10.04
AZ	$6,645	22%	$9.39
CA	$97,312	22%	$11.22
CO - Agency A	$132,273	10%	$4.75
CO - Agency B	$624,966	34%	$17.05
CT	$444,177	11%	$6.68
DE	N/A	N/A	N/A
GA	$445,946	6%	$2.34
GQ	$247,172	11%	$8.19
ID	$406,986	25%	$10.78
IL	$92,161	48%	$19.69
IN	$366,311	17%	$6.93
KY	$187,617	10%	$3.39
MA	N/A	N/A	N/A
MD	$263,624	22%	$9.88
ME	$324,654	15%	$6.93
MI	$888,336	9%	$3.90
MT	$477,542	24%	$10.93
NC	$151,885	33%	$13.52
NH	$477,306	21%	$12.36
NJ	$197,349	1%	$0.90
NV	$333,185	30%	$8.63
NY	$4,097,686	22%	$11.40
OK	$155,255	4%	$1.39
PR - Agency A	$399,624	9%	$4.00
PR - Agency B	$55,304	9%	$4.14
RI	$216,940	20%	$13.20
SC	$7,532	1%	$0.25
TN	$399,254	14%	$5.84
TX	$104,402	10%	$4.71
VA	$83,538	2%	$0.79
VQ	N/A	N/A	N/A
VT	$616,508	29%	$16.30
WI	$206,660	32%	$13.94
Total HANF Admin. Fee Reduction	12,792,934		

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National Association of Housing and Redevelopment Officials
630 Eye Street NW, Washington DC 20001-3736
Toll Free 1 (877) 866-2476
Fax (202) 289-4961

NAHRO News: Section 8
Attachment D - Explanation of NAHRO's HANF Administrative Fee Study

NAHRO estimated the difference between each agency’s maximum administrative fees in FY 2002 under the existing Section 8 HCV program and the maximum administrative fees each agency would have received under HANF, if it had been enacted at that time.

Based on NAHRO’s analysis of HUDCAPS data for each agency in FY 2002, most state housing agencies’ maximum administrative fees under the Section 8 HCV program in FY 2002 would be significantly reduced under HANF - a loss that could otherwise provide services to low-income households in the state. States currently administer just 10 – 14 percent of vouchers. If states assume administration of all vouchers, the corresponding losses would be greater. By extension, the loss of administrative fees for all vouchers in the state would be even greater.

Admittedly, each agency has access to much more specific information about the geographic distribution of voucher-assisted households within the agency’s FMR service areas, an important component of determining administrative fees. NAHRO’s study is not intended to pinpoint an exact administrative fee amount for each agency, but rather to help provide an important framework by which states can more accurately gauge the financial impact on their state agency’s administrative fees under HANF versus the current program.

To determine the maximum administrative fees in FY 2002 for each agency under the Section 8 Housing Choice Voucher program, NAHRO used HUD’s FY 2002 Section 8 Administrative fee schedule (published April 15, 2002) for the Fair Market Rent Areas within each agency’s service area.

Section 8 HCV on-going administrative fees were separated by metropolitan and non-metropolitan areas, and by Column A (first 600 units) and Column B (remainder of units), and averages were applied.

NAHRO used the total number of authorized vouchers in each agency’s Annual Contributions Contract with HUD, as reported in HUD’s PIC system. To estimate the geographic distribution of leased voucher holders within each agency’s service area, NAHRO applied the proportional split amongst voucher-assisted households between metropolitan (82.19 percent) and non-metropolitan (17.81 percent) that HUD found in its study entitled, “Housing Choice Voucher Location Patterns” (January 2003), to the number of each agency’s authorized vouchers. HUD’s recent study found out of the 1,462106 voucher-assisted households studied, 1,201,756 (82.19 percent) lived in metropolitan areas, and 260,350 (17.81 percent) voucher-assisted households lived in non-metropolitan areas. Unfortunately, HUD’s study did not provide a regional breakdown of the nation’s voucher-assisted households, in its metropolitan versus non-metropolitan study.

To determine the monthly Section 8 HCV administrative fees, NAHRO multiplied the estimated number of metropolitan and non-metropolitan vouchers with the average administrative fee for Column A and Column B (if applicable) in HUD's FY 2002 Section 8 administrative fee schedule, within each agency's service area. To determine the annual Section 8 HCV administrative fee, we multiplied the monthly amount by twelve.

To determine what the administrative fee would have been under HANF, had it been enacted at that time, NAHRO multiplied each agency's FY 2002 authorized funding level as reported in HUD's PIC system by 10 percent. If for some reason, an agency's authorized funding level in FY 2002 was for less than 100 percent of their authorized units, than their HANF fee should be adjusted to reflect a 10 percent cap of that amount.

NAHRO subtracted what each agency's administrative fees would have been under HANF from their annual Section 8 HCV administrative fees to determine the amount of the fee reduction. To determine the average monthly fee per unit both under HCV and the HANF proposal, NAHRO divided each agency's annual administrative fee by their number of authorized vouchers, divided by 12 (months).

NAHRO's estimates of the maximum earned administrative fees under HCV were intended to be conservative. NAHRO used the reduced administrative fee rate from Column B, for the combined number of units within either metropolitan or non-metropolitan areas exceeding 600 units, rather than on an FMR by FMR basis at the admin. fee rate under Column A. Second, some states operating tenant-based HCV program in multiple non-metropolitan areas have received higher administrative fees than the ones published by HUD. In these instances, the actual administrative fee reductions under HANF would be greater.

Administrative costs are not a function of the amount of a housing assistance payment. Program administration costs are a function of the various costs of doing business at a particular agency, including labor costs, utilities, and insurance. The size of the jurisdiction covered by each agency and the geographic location of tenant-based voucher households also affects the cost of administration. The amount of subsidy is a function of the overall income of the population served, which is influenced by regional economic conditions and the overall rental costs in each jurisdiction. Based on the results of this analysis, it seems that when factoring in this cap and the administrative costs that the state will incur under HANF, there will not be funding left to properly operate the program.

The administrative fees payable under HANF will be scaled down just when state-level entities would actually need greater resources for capacity building to assume oversight and information management responsibilities from HUD, and/or subcontracting program administration for local areas.

For questions or more information, contact Policy Analyst Jonathan Zimmerman, jzimmerman@nahro.org, or call 1-877-866-2476, ext. 238.