

Testimony of Dianne Hovdestad  
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On behalf of the National Association of Housing and  
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Chairman Menendez, Ranking Member DeMint, members of the Subcommittee on Housing, Transportation, and Community Development, thank you for giving me the opportunity to provide information and perspective on “Streamlining and Strengthening HUD’s Rental Assistance Programs.” My name is Dianne Hovdestad; I currently serve as the Deputy Director of the Sioux Falls Housing and Redevelopment Commission (SFHRC) in Sioux Falls, South Dakota. SFHRC provides rental assistance to approximately 2,000 households by utilizing various HUD-funded programs. These include: the Section 8 Housing Choice Voucher (HCV) program; the Section 8 Moderate Rehabilitation Program, public housing, programs funded through the McKinney-Vento Act, including Shelter Plus Care and Housing Opportunities for Persons with AIDS; HOME Tenant-Based Rental Assistance; and the Section 8 Multi-Family program. In addition, the SFHRC provides affordable housing using Neighborhood Stabilization Program funding and is currently working toward the construction of additional affordable housing using the Low-Income Housing Tax Credit program and the HOME program.

I am also proudly representing the National Association of Housing and Redevelopment Officials (NAHRO), one of the nation’s oldest and largest housing advocacy organizations. NAHRO currently represents over 22,000 individual members and over 3,200 housing and redevelopment authorities across the country. NAHRO has led the fight for cost-effective legislative reform of the Section 8 voucher program over the past 10 years. Speaking for myself as someone who has been involved in the housing industry as a professional for 35 years, I am particularly pleased to have the opportunity to address the Subcommittee today on the critically important matter of streamlining and strengthening HUD’s Rental Assistance Programs, particularly the Section 8 voucher program.

### **Responsible Program Administration during a Period of Fiscal Restraint**

I think it is safe to say that this hearing is being held at a time when economic and political considerations affecting the nation’s fiscal health are in more dramatic focus than they were when we began the conversation about administrative and programmatic reform of the Section 8 voucher program — nearly 10 years ago. Speaking not only for housing authorities in South Dakota but on behalf of my colleagues across the country, I think the need to support responsible reform of the Section 8 voucher program is more pressing and more important today than it was in 2002. In my own case, the work of my authority and our own efforts to support those in need of decent, safe, sanitary and affordable housing in Sioux Falls have been greatly impacted by spending reductions, which have drastically reduced available funding to operationalize the voucher program. In particular, Section 8 administrative fees have been reduced to such an extent that in testimony before the Senate’s own THUD

Appropriations Subcommittee, HUD Secretary Donovan testified that housing authorities in growing numbers were telling HUD that they would no longer be able to afford to run the voucher program – including the highly praised Veterans Affairs Supportive Housing (VASH) program that serves America’s veterans. Since that admission earlier this year, the numbers of housing authorities in the same position has only grown. This alone should compel this Subcommittee to act now to reform this critically important program by reducing administrative burdens that not only cost the federal government money in a time of fiscal restraint but also impair housing authorities’ abilities to serve families, seniors and the disabled who rely on this program to ensure a decent, safe and affordable place to call home.

The Section 8 HCV program is a regulation-rich program. The myriad of complex regulations make the program difficult to administer and difficult for recipients and landlords alike to participate in. Program operations are subject to administrative directives, rules and regulations of federal and state agencies including, but not limited to, HUD. Administrative directives, rules and regulations are always subject to change. Most often such changes may occur with little notice, and/or inadequate funding to pay for related costs. These same changes usually increase administrative burdens that simply add cost, often with a limited net gain in efficiency. I want to thank you for holding this hearing and for your commitment to addressing the pressing need for reform properly through the authorization process. Hopefully your work and your leadership will result in thoughtful and purposeful improvements in HUD’s rental assistance programs — most particularly the voucher program.

#### *Necessary Funding to Properly Administer the Voucher Program*

The work of SFHRC, as well as that of other housing authorities across South Dakota and the nation, has been greatly impacted by significant cuts in administrative fees over the past 10 years. By way of example, in 2003, SFHRC received \$970,000 to cover the costs of administering \$7,300,000 in housing assistance payments under the voucher program. In addition, SFHRC was paid by HUD for audit reimbursement costs, hard-to-house fees, assessment and preliminary fees for tenant-protection vouchers. Each year since, SFHRC has received less administrative fee dollars than it has earned, due to shortfalls in appropriations which led to significant administrative fee pro-rations. SFHRC was able to meet the program’s regulatory requirements through the utilization of its Section 8 administrative fee reserves, currently referred to as Unrestricted Net Assets (UNA). Unfortunately, SFHRC has now spent down most of its UNA, so it no longer has that resource to cover future program expenses. Sound business practice is to have the equivalent of six months of operational expenses in reserves. SFHRC’s current UNA would cover approximately 12 days of operational expenses.

SFHRC anticipates it will receive administrative fees of \$950,000 for calendar year 2012 to administer approximately \$10,000,000 in rental assistance dollars. Due to the pro-ration I referred to earlier, SFHRC will receive a mere \$0.80 for every \$1.00 it earns. The consequences of the decrease in administrative fees have been a decrease in customer service to both the recipients and the landlords. Sadly, as I understand from discussions with my NAHRO colleagues, this is now the norm. SFHRC has not been able to replace staff who have left its employ; remaining staff have to labor under an increased daily workload. As a consequence, SFHRC does not have the funds to pay for overtime, as required by federal labor laws, so households are waiting longer for inspections. Recipients, landlords, applicants and the community wait longer for answers to questions. Landlords in particular are becoming so upset with this delayed response that they are threatening to leave the program.

Decreases in administrative fees have also led to a problem with utilization of SFHRC's annual budget authority for the voucher program. In calendar years 2008-2011 for example, SFHRC utilized 100 percent of its vouchers. In calendar year 2012, SFHRC utilization rates are approximately 95.67 percent, even though SFHRC has over 3,500 households who are on its waiting list. Our wait time is approximately four years. The 4.33 percent that is available but not utilized represents 92 very low-income households who are also in desperate need but who are not receiving assistance with their rent each month. Simply put, fewer staff means fewer people can be served.

The bottom line? NAHRO projects that 87,352 fewer households will receive much-needed rental assistance due to staff reductions from lack of administrative fees. This figure excludes all incremental and special voucher programs. NAHRO is happy to make available to the Subcommittee their most recent administrative fee survey, as well as a chart showing the historic relationship between administrative fee pro-rations at pre-Quality Housing Work Responsibility Act (QHWRA) rate and housing authorities' ability to lease and serve low-income households.

### **Reform Provisions Central to Any Bill to Be Adopted**

I believe that today's hearing is a very positive step forward in the effort to bring about desperately needed changes that will make the voucher program more inviting to landlords, better able to ease current administrative burdens on staff and better able to assist the very low- and extremely low-income households in need of affordable housing. At NAHRO we believe that local discretion is the key to providing flexibility for program administrators that serve these households in varied geographic and economic conditions.

For several years now there has been much talk in Washington about proposed reforms that would make the administration of the voucher program and the delivery of other rental assistance programs more effective and efficient – including, for example, statutory changes to improve the Family Self-Sufficiency (FSS) program. Here again, an adequate, consistent subsidy structure is key to a successful program. A program like FSS needs stable funding, as it is difficult to manage due to the uncertainty of annual appropriations for housing assistance payments and administrative fees. Again, it takes people to serve people, but it also takes adequate and properly deployed funding to help move families out of poverty and on to a life based upon individual achievement, accomplishment and fulfillment.

Mr. Chairman we believe that there are several factors or components that are essential to any reform bill you ultimately adopt. At this time, I would like to highlight those factors, recognizing that several of these components have been part of previous reform bills that have been under consideration here in Washington.

#### *Housing Quality Standards and Property Inspection Protocols*

Under current regulations, a housing authority cannot provide rental assistance until it has determined that a dwelling unit that a voucher holder wishes to rent meets HUD's Housing Quality Standards (HQS). This regulation applies whether the unit is brand new or 100 years old. NAHRO and my colleagues in South Dakota support the enactment of legislative changes that would give agencies discretionary authority to start paying rental assistance from the date of the initial property or unit inspection if there are only minor HQS violations, i.e., conditional approval, where in addition the rent is reasonable. We believe that adequate safeguards are in place to ensure that housing assistance payments will be withheld and assistance abated in 30 days, from the date of the initial inspection, if the violations are not corrected. This simple, straightforward change would benefit both recipients and landlords. Recipients would receive quicker rental assistance in a safe and healthy environment and landlords would have an incentive to participate in the program since they would not lose income while correcting minor violations. A majority of landlords participating in the voucher programs administered across South Dakota are in fact small business owners. Any assistance that can be provided to them in the operation of their rental property with limited loss of income is a win for everyone. On this point, I would like to note that HUD program regulations allowed "conditional approval" of units from the inception of the Section 8 Certificate program until 1980. SFHRC has exercised this option and it has worked very well for the reasons I noted above.

In an effort to ease unnecessary regulatory burdens, NAHRO also continues to support the discretionary authority to inspect voucher program units every two years, while acknowledging

that this may not be the right solution for all housing authorities. This would allow housing authorities to perform inspections on a geographic basis instead of tying inspections to each household's lease anniversary date. It is important to note that in South Dakota, as well as other rural areas across the country, there are housing authorities that administer the voucher program across significantly large geographical areas. For most of those housing authorities, it would not be uncommon for staff to drive 100 miles or more to conduct an inspection. The annual inspection process is a major program expense when considering staff salaries (including driving time to the inspection and the necessary time to conduct the on-site property inspections), gas costs, vehicle maintenance and reimbursement for meals while traveling to and from the property. We believe that local discretion to inspect units on a biennial basis is a critically important cost-savings measure that should be included in any reform bill you consider.

Finally on this point, in areas of the country where Low-income Housing Tax Credit, HOME or other multi-family properties are inspected by other governmental agencies such as a state housing finance authority, we believe that housing authorities should have the discretion to use inspections conducted by those entities, as long as the inspection criteria meets or exceeds HQS, in lieu of conducting our own HQS inspection.

#### *Income and Rent Determinations*

A second component central to any reform effort deals with the evaluation of resident income and the determination of tenant rents. The complexity of the rent and income calculations existing under current regulation is daunting, and no doubt underlies many of the problems experienced under current rules with respect to payment error. NAHRO recognizes that efforts to address rent simplicity, and more particularly "rent reform," are inherently controversial. Nevertheless, any effort to simplify the rent and income calculation process should be pursued with all deliberate speed.

All of the various bills which have been in circulation and under review for years, including the Section Eight Voucher Reform Act (SEVRA), the Section Eight Savings Act (SESA) and now the Affordable Housing Self-Sufficiency and Improvement Act (AHSSIA) which is currently under consideration by the House Financial Services Committee, include titles intended to provide "income and rent simplicity." However, with all the changes over the years in each of the bills, housing authorities that have examined this issue indicate that none of them accomplish the intended goal of determining household income and calculating households' rent shares simply, as in the definition above. I would like to highlight some of our concerns and recommendations regarding income and rent provisions.

First and foremost, an operational definition of “income and rent simplicity” is an income definition and household rent calculation method that is relatively simple for housing authorities to calculate and administer, leaves the Brooke Amendment in place for existing assisted households by household type (not each individual household) within each housing authority, but does not automatically create a set of intended incentives or disincentives for low-income households, and provides a greater degree of transparency to participating households property owners and managers. By contrast, an operational definition of “income and rent reform” is an income definition and household rent calculation method that is relatively simple for housing authorities to administer, does not necessarily leave the Brooke Amendment in place for existing or future assisted households by household type (not each individual household) within each individual housing authority, likely creates a set of intended incentives or disincentives for low-income households, and likely provides a greater degree of transparency to participating households property owners and managers.

With this in mind, NAHRO is particularly concerned about two areas of potential hardship related to elderly and disabled families and families with dependent children. In any legislation you adopt, we urge you to include a provision that authorizes the Secretary, by regulation and for a period not exceeding three years following the date of enactment, to limit increases in rent for elderly or disabled families and for families with dependent children whose rent has increased due to changes in the allowable exclusions for medical expenses or child care expenses.

It is also important to point out that the rent and income provisions you consider and possibly adopt may have an unintended and negative impact on housing authorities’ rent revenue in the public housing program. For example, the New York City Housing Authority has estimated that its public housing rent revenue from residents would decrease substantially as a result of legislative changes affecting rent and income. Thus, we urge you to include in any bill you adopt a provision that would authorize compensation to housing authorities through increased Operating Funds.

Housing authorities are required to verify and report to HUD all sources and amounts of included and excluded household income. While securing third-party verification of income that is to be included in determining annual income and rent does make sense, the noteworthy expense of verifying excluded income to be reported to HUD does not. Additionally, verification of allowable deductions is another time-consuming and costly administrative process.

If income and rent determinations are done in a way that meets the principal and intended goals and objectives of the voucher program, and if income and rent determinations could be conducted in a way that would otherwise benefit low-income households, then I believe that property owners and the remaining 99 percent of public housing authorities that are not MTW agencies would benefit in terms of reduced administrative burdens. The federal government would also directly benefit from administrative cost savings. I am certain Mr. Kinard of the Newark Housing Authority can provide you with comments from the vantage point of an MTW agency.

As the representative of a non-MTW agency in South Dakota, I think that any changes in income and rent simplicity provisions in the voucher, public housing and project-based rental assistance program should reduce burdensome reporting requirements placed on recipients and should relieve housing authority staff of many verification and processing tasks that only add cost. As a professional and as a taxpayer I also believe that a proper income and rent methodology should reduce the amount of improper payments.

I encourage you to add language to any reform legislation you adopt that would authorize recertifications for fixed-income households every three years, with the application of an annual adjustment factor to their income. This would provide relief to recipients who struggle to attend appointments due to physical limitations or lack of reliable transportation. I also encourage and support other simplification provisions, such as eliminating the requirement to verify and maintain records of excluded income, as well as the requirement to use a household's prior year's income. I also support the ability to use income determinations made by other government agencies.

In addition to reducing the reporting and processing responsibility on low-income households and housing authority staff, income and rent reform changes have the potential of promoting employment among assisted households without the immediate burden of paying a higher rent. Modest reduction of the interim reporting requirement for decreases and increases in households' earned income, for example, along with exclusion of the first 10 percent of earned income up to \$9,000, should provide greater incentive for some working households to remain gainfully employed.

Households with children in particular should also get the benefit of an increase in the dependent allowance and any program reform bill you adopt should permit an adjustment in

the threshold for unreimbursed child care expenses from 10 percent to 5 percent of gross income. Current regulations allow a dollar-for-dollar deduction in gross income for unreimbursed child care. This new adjustment to child care deduction would increase the household's rent.

Finally, NAHRO supports language that would enable a housing authority to implement alternative tenant rent structures in rental assistance that preserves the Brooke Amendment. Alternative rent methods include the continuation of flat rents based on the rental value of the unit, income-tiered rents, rents based on a percentage of the household's income and the use of existing rent structures. NAHRO believes that alternative approaches to income and rent determinations, when carefully reviewed and analyzed for their likely effects, offer important lessons for possible further improvements for all assisted agencies and owners and provide opportunities for outcome-based research for a menu of locally-based options in the future.

### *Funding Policy*

As I mentioned earlier, the uncertainty of the renewal funding process in recent years has made the management and operation of the voucher program a difficult challenge. The goal of any housing authority is to maximize its leasing up to its baseline total of authorized vouchers in order to assist as many families as possible. Unfortunately, with constant formula changes over the years and delays in the annual budget process, many agencies have been hesitant to issue vouchers – either to keep from over-committing their dollars, or to keep from leasing beyond their baseline until they know their annual appropriation.

A provision found in the December 1, 2010 version of SEVRA that bases funding on the actual leasing and voucher costs for the prior calendar year and the five-year authorization for renewing leased vouchers for example provides much-needed stability to properly manage the program. Authorization to retain 6 percent of annual budget authority in Net Restricted Assets (NRA) is also an important provision in any final legislation you adopt.

As I stated earlier, reductions in administrative fee funds have already had an impact on the number of families that housing authorities can serve on a national basis. NAHRO is very concerned that additional funding reductions in FY 2013 could lead to more perilous consequences across the country if a remedy cannot be agreed to and implemented in a timely fashion. NAHRO has two proposals, either one of which can responsibly mitigate decreased administrative fee funding. The first would allow the current HAP and administrative fee accounts to be combined into one account, providing local authorities with the discretion to utilize those dollars with proper safeguards built in. A second approach would allow housing

authorities to utilize unused NRA to supplement dwindling administrative fee dollars – again, with proper safeguards built in. NAHRO would welcome the opportunity to discuss these recommendations with you in greater detail as you continue to deliberate the content of voucher reform legislation.

NAHRO has also prepared a detailed analysis that addresses voucher funding practices over the years, and has recommendations that will address problems related to an uneven and unstable funding policy.

### *Utility Allowances*

Currently, each housing authority must devise a utility schedule for their jurisdiction. The data is often imprecise and continually changing. For an agency with a large geographic area, or with multiple providers of a certain utility, the task is arduous, time-consuming and costly. Consider, too, all the small public service districts. NAHRO recommends that HUD be required to share utility costs with housing authorities and allow them, if they so desire, to utilize these estimated utility costs as standard allowances. I sincerely hope that this language is included in any bill that you ultimately adopt.

If HUD were required to publish utility information each year by state and region from other governmental sources, housing authorities would know whether or not utility rates in their respective areas increased by 10 percent or more in order to determine whether or not conducting extensive calculations of utility rates and consumption were warranted. We certainly hope the Subcommittee will address this apparent inconsistency. Housing authorities 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. During the drafting of AHSSIA, your colleagues in the House responsibly included language proposed by NAHRO that does exactly that.

Finally, housing authorities should be allowed to use the lower of their utility companies' "lifeline" rates or the standard commercial rate averages where applicable and be able to average annual utility allowances by bedroom size in lieu of utility allowances by structure type. Alternatively, housing authorities should be able to survey their area utility charges and consumption rates, document them, and propose average utility allowances by bedroom size, subject to HUD approval. This would significantly reduce the complexity and calculation errors by housing authorities for utility allowances, and greatly simplify the leasing process for voucher holders and property owners to help create less programmatic barriers to low-income assisted households accessing the housing market relative to unassisted households.

## **Current Legislative Reform Proposals before the Congress**

With one notable exception, much of the December 1, 2010 version of SEVRA (Section 8 Voucher Reform Act) provides a thoughtful and pragmatic platform to begin your current review and analysis and hopefully represents a workable place to begin your work on voucher reform. In 2010, this version of SEVRA was actively discussed for possible inclusion in the 2011 appropriation bill under consideration at that time. As such, it was a vehicle that a number of our industry colleagues, if pressed, likely could have supported. NAHRO played an active role in moving this particular version of events forward and formally endorsed this particular legislative draft.

As I mentioned earlier in my statement, the time for action is now. The 111th Congress had an opportunity to advance a bill that NAHRO felt made good sense, practically and politically. The December 1, 2010 version of SEVRA was a rather scaled-down version of earlier iterations of SEVRA legislation from years past but it was, never the less, a meaningful and practical bill. That bill did not contain everything we had hoped for, but it did contain much that we could support, including the following:

Income Targeting: The December 1, 2010 version of SEVRA improved income targeting for all extremely low-income applicant households, with particular benefits for families in rural communities and large-size families in metropolitan communities, by using the higher of the federal poverty level or extremely-low income thresholds. It provided better access to the Section 8 HCV program, public housing program, and project-based Section 8 multi-family housing assistance programs.

Housing Quality Standards and Inspection Process: The December 1, 2010 version of SEVRA also included a number of inspection-related provisions, including ones that would: allow housing authorities the discretionary authority to conduct HQS inspections of all of their voucher-assisted units every two-years rather than annually; permit housing authorities to perform inspections on a geographical basis; allow inspections conducted by other entities to be used in place of a housing authority-conducted HQS inspection; and permit a housing authority at its discretion to allow a voucher-assisted household to move into a dwelling unit after signing a lease with a property owner for a unit that has a reasonable rent and no health or safety violations, such that an agency may commence a lease, execute a HAP contract and verify within 30 days that the unit passes HQS.

Administrative Simplicity for Income and Rent Reviews: Administrative simplification provisions in the December 1, 2010 version of SEVRA also track with the reforms noted in my testimony today. That version of SEVRA would have relieved housing authorities of the responsibility to maintain records of miscellaneous HUD-required income exclusions, and would have allowed housing authorities to use applicable inflation adjustments for fixed-income families. Additionally, language in that bill permitted housing authorities safe harbor reliance on other governmental income determinations (e.g., Medicaid, TANF), and allowed housing authorities to make other appropriate adjustments when using prior year's calculations of other types of income. These would be welcome additions to the HCV program. NAHRO also supported provisions regarding housing authorities' use of households' prior-year earned income and alternative rent structures that would be allowed under the voucher, public housing and project-based Section 8 programs.

Expansion of Family Self-Sufficiency Program (FSS): The December 1, 2010 version of SEVRA converted the Family Self-Sufficiency (FSS) program from an annual competitive grant to an administrative fee to pay for the cost of an FSS coordinator as part of the standard administrative fee provided to housing authorities. Additionally, language in the bill would have established standards for the number of FSS coordinators that an agency may fund and restored coordinator funding for agencies with effective FSS programs that lost funding in prior years for reasons unrelated to performance.

Payment Standards, Fair Market Rents & Utility Allowances: The December 1, 2010 version of SEVRA required HUD to approve housing authority requests to raise the payment standard to up to 120 percent of the Fair Market Rent (FMR) for housing authorities with high rent burdens or high concentrations of poverty. To provide reasonable accommodations for persons with disabilities, the proposed bill also permitted housing authorities to, without HUD approval, increase payment standards up to 120 percent of the FMR. Also, HUD was authorized to approve payment standard requests in excess of 120 percent of FMR. The 2010 bill also improved the timing of HUD-published FMR values. This version of SEVRA also required HUD to publish data regarding utility consumption and costs in local areas as is useful for the establishment of allowances for tenant-based utilities for voucher families.

Access to HUD Programs for Persons with Limited English Proficiency: The 2010 bill language also included a requirement that HUD develop and make available translations of vital documents developed by a HUD-convened task force, establish a toll-free number and document clearing house, and complete a study of best practices for improving language services for individuals with Limited English Proficiency (LEP).

Project-Based Voucher Assistance Program: Finally, the December 1, 2010 version of SEVRA would have amended the percentage of units that can have project-based assistance in an agency's voucher portfolio; provided protections against displacement for families who reside in a dwelling unit proposed to be assisted under the PBV program; and permitted the use of site-based waiting lists under the PBV program – all of which NAHRO supported.

#### *AHSSIA*

In the period of time between December of 2010 and today, your House colleagues on the Financial Services Committee have advanced two separate reform proposals: the Section 8 Savings Act (SESA) and the current Affordable Housing Self Sufficiency Improvement Act of 2012 (AHSSIA). At present, an AHSSIA draft proposal has already been approved by the Insurance, Housing and Community Opportunity Subcommittee. We understand that the draft is currently being readied for a full Committee mark-up, which will hopefully take place following the August recess. We at NAHRO believe that there is much that we can support in the most recent AHSSIA draft. I would add the fact that NAHRO's many discussions with House staff about improving that proposal even further have been fruitful and productive. Our views on the most recent draft of AHSSIA are as follows:

Funding Voucher Renewals: With respect to Housing Assistance Payments and Net Restricted HAP Assets, NAHRO believes that regulatory and administrative reforms are desperately needed. The backbone upon which the voucher program relies to achieve its historic success – a sound funding policy – has been thrown off kilter over the years and is in need of improvement. Housing authorities around the country have witnessed a widening gap between budget utilization rates and their voucher lease-up rates (percentage of authorized vouchers leased). As a result, many housing authorities are now serving fewer families than their authorized number of vouchers. We would submit that prudent, strategic and purposeful application of a sound funding policies based on lessons learned, and the restoration of the renewal HAP funding policy that was in place in FY 2003 represent the centerpiece of any voucher reform legislation and accordingly should be included in the final bill you adopt. Please know that funding policies recommended by NAHRO over many years do not increase the amount of required funding, but rather distribute this limited federal resource on a sound and rational basis subject to pro-rations. This approach we believe would provide a greater measure of transparency and accountability to voucher programs. We are pleased to see that the most recent draft of AHSSIA does contain a voucher renewal policy that for the most part includes these important components. But we are concerned however that offsets of MTW agency dollars are anticipated in the most recent House draft with respect to voucher renewals. We oppose offsets of this nature and we are working with House staff to find a mutually

acceptable solution. To avoid problems such as this, we suggest that this Subcommittee formally adopt language on this subject that has been a part of THUD bills for the past seven years. This language would avoid overfunding/underfunding of housing authority dollars and the formula for renewals in these same bills is based upon actual cost data from housing authorities. Both components are necessary and entirely appropriate and we urge that you include language in your bill that anticipates and includes language to support these important points.

Financial Self Sufficiency (FSS): NAHRO has supported the inclusion of language concerning the FSS program in AHSSIA and has been pleased to support the provision championed by Chairwoman Biggert over several years. We would, however, note that HUD has also advanced FSS reform legislation that also appears to achieve many of the objectives NAHRO could support. Senator Reed, a distinguished member the Banking Committee, is also very involved in the FSS discussion. Our hope is that a consensus product will be hammered out and will part of any final reform bill that Congress approves going forward. We feel confident we could support a responsive FSS provision in any final reform product you adopt based upon our most recent review of proposals currently on the table.

In all circumstances however, current experience over the last several years have shown us that unless Congressional appropriators increase funding for the expanded FSS program contemplated by HUD, Senator Reed and Representative Biggert, existing agencies with successful FSS programs will lose much-needed funding. NAHRO recommends coordination between this Subcommittee and the THUD Appropriations Subcommittee as this legislation moves forward to ensure that there are not unintended consequences of existing agencies inadvertently losing their existing FSS funding.

Restoration of “Maximized Leasing” and an Explicit Policy on Net Restricted Assets: Earlier AHSSIA discussion drafts have included language that states “[r]eserves may be used for overleasing in any year, regardless of whether such use is eligible for renewal funding in a subsequent calendar year.” Although the language contained in earlier AHSSIA discussion drafts does not state whether the use of reserves would be eligible for HAP renewal funding, NAHRO is at a minimum pleased these provisions would reinstate “maximized leasing” – a wise and prudent practice that worked effectively prior to FY 2003. Maximized leasing was an option formerly available to housing authorities for many years under the voucher program. It has enabled them to serve the maximum number of households possible with the annual amounts provided to them, so long as their annual spending over the subsequent year did not exceed 100 percent of their contracted units over the two-year period.

Ongoing Administrative Fees: NAHRO believes that studying administrative fees in the voucher program is necessary. We believe that a study, if well-designed and well-executed, can illustrate the voucher program's current condition relative to these goals, and would illustrate examples where a balance is being struck between the methods housing authorities are using to achieve balanced outcomes within their budgets. However, we feel strongly that final determinations regarding administrative fee rates should not be left open to change by the Executive Branch. If allowed by Congress, one Administration could, for example, use the authority to significantly incentivize use of vouchers in metropolitan and suburban areas at the expense of rural communities unmet affordable housing needs; another Administration could use its authority to significantly incentivize widespread use of deep rental housing subsidies at the highest end of agencies' payment standard authority even if it meant serving fewer families overall. Still another Administration could use its authority to significantly incentivize homeownership at the expense of rental housing opportunity.

Administrative fee rates have been established in statute over the history of the HCV program with operational success, without undue influence by any Administration. The Office of Management and Budget (OMB) has consistently given the HCV program the highest rating awarded to any of HUD's programs. Just as we have emphasized how important a sound HAP and NRA funding policy is to the success of voucher programs, we also believe that the funding structure to support the administrative functions necessary to help families succeed and to enforce housing quality standards under the program be established by the Congress. Accordingly, for reasons specified above, NAHRO believes that any legislation you adopt should require HUD to submit ongoing administrative fee study findings to Congress and to interested stakeholders. NAHRO also supports deferring to the existing authorized statute regarding pre-QHWRA fee rates and design under Section 8(q).

Moving to Work: NAHRO has long advocated for greater program flexibility and an expanded Moving to Work (MTW) program in its current form. We fully support expanded participation in a well-designed MTW program, as has been done in an incremental fashion over the last several years through the appropriations process and in similar fashion in legislation sponsored by Representative Gary Miller. NAHRO's first order of business with regard to MTW over the years has been and remains to ensure that existing MTW agencies do not have to unravel their valuable programs, which they have crafted over several years. We do however strongly support an expansion of MTW to enable program flexibility for many more housing authorities, large and small. If moving and passing long-awaited legislative reforms for non-MTW agencies means doing so without a separate MTW title, NAHRO would support introduction and passage of a stand-alone and well-crafted MTW bill.

With respect to MTW language found in AHSSIA, NAHRO and many other groups working with HUD collaborated on principles to underpin an expanded MTW program. Much of what we agreed to as a group is we understand to be included in any final version of AHSSIA. We urge this Subcommittee to carefully consider this consensus approach to MTW expansion as one possible approach towards greater program flexibility for many more housing authorities nationwide. However we also stand ready to work with you to find additional avenues to encourage program innovation and flexibility using the current MTW framework.

### **Meaningful Regulatory and Administrative Reforms from HUD Are Long Overdue**

I would also like to briefly raise the matter of administrative and regulatory reform which, in our opinion, has been long-overdue at HUD with regard not only to the voucher program but other programs administered by housing authorities.

On May 3, 2011 NAHRO provided an extensive set of recommendations (Document ID: HUD-2011-0037-0024-1 and HUD-2011-0037-0024-2) regarding regulatory and administrative reforms in the voucher, public housing and community development programs, in response to President Obama's Executive Order 13563 titled, "Reducing Regulatory Burden; Retrospective Review." On, May 23, 2011 NAHRO also sent a letter to HUD to thank HUD for including us in a "Delivering Together" briefing focusing on the Department's intent to identify and implement short-, medium-, and long-term regulatory and statutory reforms to decrease the regulatory and administrative burden faced by public housing agencies. At that time, NAHRO submitted a smaller list of 27 regulatory and administrative reforms in voucher programs, and also at that time expressed our belief that significant reforms are needed immediately for programs administered by housing authorities.

We believe that, in addition to the efforts you are making to advance voucher reform legislation, HUD should be prompted by Congress to act with deliberate speed to put in place long-overdue regulatory and administrative reforms that would further enhance and expedite a more cost effective and administratively less burdensome voucher program. We ask the Subcommittee to work with us to ensure the rapid execution of these reforms that HUD can do now.

### **Conclusion**

Mr. Chairman, as this Subcommittee seeks to advance a bill that not only makes sense substantively but politically, we urge you to consider and ultimately adopt a bill that hews closely to the December 1, 2010 version of SEVRA and reflects some of the more thoughtful and

constructive provisions in AHSSIA that we have identified today. We see no reason, given the measure of support that the December 1, 2010 version of SEVRA had and the AHSSIA bill for the most part now has, to either radically depart from language contained in these constructive approaches to reform -- or worse to start from scratch. The time for discussion has passed; the time to act is now! With specific respect to AHSSIA, we are very pleased to see that your House colleagues made significant progress on a number of issues important to NAHRO, including improvements to the HQS section, and also retained important language regarding the establishment of administrative fee rates by Congress. Certainly there is more that this Subcommittee can do to improve upon both bills as I have noted but, after almost 10 long years of fits and starts, there is no reason to undermine largely viable products that have many if not most program stakeholders on board.

On behalf of my colleagues at NAHRO, thank you again for the opportunity to come before you and express our opinions regarding this vitally important legislation. We look forward to working with you to achieve voucher reform now!