



**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503**

July 11, 2007
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 1851 – Section 8 Voucher Reform Act of 2007

(Rep. Waters (D) CA and six cosponsors)

The Administration shares the goals of reforming the Section 8 Voucher Program to serve more low-income families, as proposed in the President's Budget. However, the Administration opposes House passage of H.R. 1851, the "Section 8 Voucher Reform Act of 2007," in its current form.

The Administration is committed to improving the Section 8 Voucher Program by enabling Public Housing Agencies (PHAs) to increase the assistance they can provide low-income families through a budget-based system that is transparent, appropriately compensates and rewards PHA performance, and results in predictable future year funding allocations for PHAs. The Administration's proposal would eliminate the cap on the number of families PHAs may assist within their budget allocations, which would provide PHAs with incentives to maximize the use of their resources, encourage them to spend their balances effectively, and link PHA administrative cost reimbursements to the actual number of families they assist.

The Administration therefore strongly opposes the provision in H.R. 1851 that would abandon the budget-based funding renewal methodology imposed by Congress to halt the rapidly escalating and unsustainable increases in Voucher program costs. Budget-based funding has successfully controlled the formerly explosive costs without a loss of assistance to existing tenants. H.R. 1851 would go back to the flawed unit-based methodology, often viewed as an entitlement-type funding, which led to unsustainably increasing costs. Moreover, the unit-based methodology lacks incentives for PHAs to manage costs effectively and maximize assistance to needy families.

The unit-based funding system put forth in H.R. 1851 is fundamentally flawed in that it would encourage PHAs to increase program costs unnecessarily in order to claim a larger share of the subsequent year's appropriations. At the same time, the bill would penalize those PHAs that control or reduce per-unit costs to serve additional families. Moreover, the bill's annual revision of the funding formula could encourage poor stewardship of funds and cause financial instability for PHAs, making it difficult for a PHA to plan or manage its program beyond the current calendar year. It would also create difficulty for the Department of Housing and Urban Development (HUD) and Congress to properly forecast the budgetary needs of the Voucher program for future year appropriations. Ultimately, the voucher renewal methodology put forth under H.R. 1851 would result in spiraling and unsustainable per-unit cost increases in the Voucher program. Such a result would either require substantial pro-rated reductions in individual PHA voucher funding allocations (necessitating the termination of assistance for some participating families), or the Voucher program would absorb a disproportionate share of the HUD budget at the expense of other critical HUD programs and activities.

The Administration also has concerns about the operational viability of other provisions in the bill. Upon a PHA's request, HUD would be required to advance up to two percent of the current year's funding allocation during the first quarter of the next calendar year. HUD would not likely have the funds to make this advance because the provision would not provide any authority for HUD to retain such a reserve. In addition, recapturing funds would be a cumbersome and complicated process because HUD does not hold the reserves. It would be far simpler to offset a PHA's excessive unused funding from its subsequent year allocation.

The Administration favors simplification of tenant rents to ensure fairness and transparency. While the bill makes minor adjustments in rent guidelines, it does not correct convoluted and complex rent rules that remain difficult to interpret. Furthermore, the bill fails to address the fundamental problem with the current system, which is that a one-size-fits-all approach cannot be responsive to all the different individual concerns, priorities, and market conditions of local communities. True reform of the rent determination system is necessary to: (1) reduce PHAs' administrative burden; (2) provide PHAs with the necessary flexibility to control tenant rents to properly address the needs and priorities of their communities; (3) increase the incentives to work for able adults; and (4) help eliminate improper payments that occur due to difficulties in determining the proper rent. The Administration would like to work with the Congress to modernize the rent determination process in a way that is transparent and equitable for tenants and easier for PHAs to administer.

While the Administration supports the inclusion of applicants' assets in determining eligibility for the program, the bill's \$100,000 limit is too high to assure proper targeting to needy families. This section would allow families to self-certify family assets and would invite non-reporting and under-reporting that would divert assistance from the neediest families. Similarly, the Administration strongly opposes the bill's exemptions that would continue Federal assistance for families that are no longer low-income. With so many extremely needy families on PHA waiting lists, assistance through public housing and project-based units should serve those most in need. The increase from 20 percent to as much as 30 percent in the percentage of vouchers that are able to be used for project-based units is also objectionable. Tying more units to projects provides fewer families the ability to choose their unit and neighborhood, as portable housing vouchers provide.

While the Administration opposes H.R. 1851 in its current form, the bill contains a number of provisions that the Administration supports. These provisions include the establishment of an administrative fee formula that is based on units under lease and providing formula-based fees to assist Family Self-Sufficiency efforts; the reduction of the required frequency of housing quality inspections; and amendments that would allow PHAs to implement the homeownership downpayment grant option with existing resources. Additionally, the Administration supports the substantial increase in the number of Moving to Work sites (renamed the Housing Innovation Program), with means for program evaluation, as this pilot program gives PHAs flexibility to design and test ways to achieve programmatic efficiency, reduce costs, and promote self-sufficiency.

The Administration looks forward to working with Congress to positively reform the Section 8 Voucher Program as the legislative process moves forward.

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