PUBLIC AND INDIAN HOUSING TENANT-BASED RENTAL ASSISTANCE 2012 Summary Statement and Initiatives (Dollars in Thousands)

TENANT-BASED RENTAL ASSISTANCE	Enacted/ <u>Request</u>	Carryover	Supplemental/ Rescission	Total <u>Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2010 Appropriation	\$18,184,200	\$293,138		\$18,477,338	\$18,070,777	\$17,987,893
2011 CR	18,184,200	306,561		18,490,761	18,386,496	18,591,000
2012 Request	19,222,569	104,265	<u></u>	19,326,834	19,237,834	19,430,000
Program Improvements/Offsets	+1,038,369	-202,296		+836,073	+851,338	+839,000

NOTE: Obligations and outlays exclude transfers to the Transformation Initiative. The 2010 Transformation Initiative transfer was \$100 million.

Summary Statement

The President's Budget requests \$19.2 billion for the Section 8 Housing Choice Voucher (HCV) program. The HCV program is widely recognized as a cost-effective means of delivering decent, safe, and sanitary housing to low-income families in the private market. In fiscal year 2010, the HCV program assisted approximately 2.1 million households; HUD will continue to assist these households through fiscal year 2011. The President's Budget for fiscal year 2012 would provide the funding needed to serve approximately 2.2 million of our nation's most vulnerable households.

The Department's top priority for the HCV program is to maximize the resources available to provide assistance to the neediest of our nation's citizens, which include elderly, homeless, disabled persons, veterans, and at-risk youth. The Department will continue to work intensively with those public housing authorities (PHAs) that must improve utilization and will ensure that rental assistance continues to be made available to needy families. In addition to these efforts, the Department continues to seek legislative authority to offset and reallocate excessive Net Restricted Assets (NRA) from PHAs, including Moving-to-Work (MTW) agencies that are unable or reluctant to serve additional families with existing resources. Reallocated funds would first be used to avoid or reduce the downward proration of renewal funding and would then be applied on the basis of PHA need (for example, to avoid the termination of families' rental assistance) and performance.

The President's Budget request includes:

- \$17.14 billion for renewal of expiring Housing Assistance Payments (HAP) in calendar year 2012;
- \$1.65 billion for Administrative Fees (including fees for new incrementals);
- \$75 million for Tenant Protection vouchers: and
- \$75 million for Veterans Affairs Supportive Housing (VASH) vouchers in partnership with the Department of Veterans Affairs;
- \$114.1 million for the renewal of Section 811 mainstream renewal vouchers;
- \$50 million for DHAP-lke conversion vouchers;
- \$56.9 million for the Housing and Services for Homeless Persons Demonstration
- \$60 million for FSS coordinators.

Program Management Improvements

The Department continues to focus on oversight efforts to promote program stability by ensuring that PHAs are properly managing the HCV program within their budgetary limitations. These oversight efforts will help prevent potential funding shortfalls, which require PHAs to take dramatic actions to reduce costs, thereby placing families at risk for loss of housing. HUD is working with PHAs that have both authorized units and funding available that would allow those PHAs to increase the number of families they are currently serving within their existing budgets.

The success of these endeavors, as well as HUD's ability to manage other aspects of the HCV program effectively, are in large part dependent upon HUD's plans to implement reporting and monitoring systems through investments from the Transformation Initiative (TI). This Budget demonstrates the sustained commitment to transformation efforts initiated in fiscal year 2010, including: 1) the Optimizing Utilization Project to prevent shortfalls and stabilize leasing for PHAs in both the current and subsequent calendar years. The utilization tool HUD developed is also used to identify agencies that may be at risk of shortfalls, so that the Department can work closely with such PHAs to address and correct these types of problems.; 2) the Business Process Re-Engineering (BPR) to develop and implement a Next Generation Voucher Management System (NGVMS); 3) the HCV Administrative Cost Study; 4) the Small Area Rent Survey; 5) the Moving-to-Work (MTW) Evaluation Study; and 6) an Assessment of Recovery Efforts for Troubled PHAs. Once fully implemented, these projects—particularly NGVMS—will fundamentally transform HUD's capacity to monitor and report on the HCV program.

In particular, the Department is currently implementing a major effort to stabilize leasing relative to budget authority across the 2,350 PHAs in the program. This effort will allow HUD to manage the HCV program's budget authority more effectively while helping PHAs sustain leasing levels across funding cycles. The Department aims to institutionalize this effort in fiscal year 2012 through new systems and to build upon the working relationship between HUD's field offices and PHAs.

As part of this effort, the Department has identified business and data process weaknesses in the HCV program that adversely affect the Department's ability to forecast funding requirements, effectively monitor PHAs, respond to HUD-related inquires for funding usage and justification, and integrate with HUD's other rental housing assistance programs. In response, HUD has developed a plan to improve the business processes for administering the HCV program by replacing its Voucher Management System (VMS) technology. The primary goal of this project is to build HUD's Next Generation Voucher Management System (NGVMS), a system with an appropriate and useful set of tools to manage and administer the program. In fall 2010, the Department selected a contractor to implement to the BPR portion of the NGVMS and the congressionally funded re-engineering process is currently underway.

NGVMS will fundamentally improve the business performance of HUD's rental assistance programs over several years. Based on the recommendations from the HUD-wide rental assistance blueprint, this project will assist the Department in improving automated tracking controls across the full line of HCV business processes. It will also integrate HCV efforts with the Rental Housing Assistance programs managed by the Office of Housing and other HUD divisions. By aligning current and future HCV processes with HUD's other lines of business, HUD aims to simplify business operations and maximize investment returns for the Department with business-driven, service-oriented solutions that employ shared and standardized technology. During fiscal year 2010, HUD initiated improvements to VMS to begin aligning it with next-generation activities, including addition of new data entry fields to better track PHA reserves and numbers of households being assisted. During the remainder of fiscal year 2011 and in fiscal year 2012, the Department plans to continue to improve these systems to produce a more efficient program.

Other Program Reforms

The 2012 Budget also includes key provisions that improve HUD's three largest rental assistance programs: Housing Choice Vouchers, Project-Based Rental Assistance, and Public Housing. The proposal: 1) broadens the extremely low-income targeting requirement by applying it to families with the higher of 30 percent

of Area Median Income or the federal poverty level; 2) increases the standard deduction for elderly and disabled households from \$400 to \$675 and raises the deduction for excess medical expenses from 3% to 10% of income; 3) streamlines the program by permitting three-year annual re-certification for fixed-income families; 4) provides PHAs the authority to approve exception rents for disabled voucher households; 5) enables HUD to produce more timely Fair Market Rent data on an annual basis; and 6) authorizes a rent demonstration project.

Moving-To-Work (MTW) Agencies

Section 204(a) of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104-134) provides that an agency participating in the MTW demonstration program may combine public housing operating and capital funds provided under Section 9 of the U.S. Housing Act of 1937 (the "1937 Act") and voucher program funds provided under Section 8 of the 1937 Act "to provide housing assistance for low-income families, as defined in section 3(b)(2) of the 1937 Act, and to provide services that facilitate the transition to work on such terms and conditions as the agency may propose and the Secretary may approve." Currently there are 33 PHAs classified as MTW agencies.

MTW agencies are funded in accordance with their MTW agreements as opposed to the renewal funding formula that determines non-MTW PHAs' HCV funding allocations. In accordance with their MTW agreements, these 33 agencies alone would be allocated over 16 percent of the HCV funding for renewals and administrative fees in calendar year 2012.

Program Relationship to Strategic Plan Goals and Subgoals:

As the nation's largest and preeminent rental assistance program for low-income families, the HCV program is central to the Department's Strategic Plan. Over the next five years, this program will have a major impact on Strategic Plan Goal 2 (Meet the Need for Quality Affordable Housing) and Strategic Plan Goal 3 (Utilize Housing as a Platform for Improving Quality of Life). The program assists communities throughout the United States and makes a significant contribution to achieving Strategic Plan Goal 4 (Build Inclusive and Sustainable Communities Free from Discrimination), with particular emphasis on:

- Subgoal 4C: Ensure open, diverse, and equitable communities; and
- Subgoal 4D: Facilitate disaster preparedness, recovery, and resiliency.

While the scope and size of the HCV program affects all of the goals described above, the HCV program's position as HUD's largest rental assistance program makes its principal focus Strategic Plan Goal 2, (Meet the Need for Quality Affordable Housing). As the primary program working to meet the need for affordable housing, the HCV program will devote 92 percent of its resources toward accomplishment of Strategic Plan Goal 2. In addition, the HCV program will contribute to Strategic Plan Goal 3 (Utilize Housing as a Platform for Improving Quality of Life) and Strategic Plan Goal 4 (Build Inclusive and Sustainable Communities Free from Discrimination) by dedicating its remaining resources to support these Goals.

Strategic Plan Goal 2 — Meet the Need for Quality Affordable Housing

Subgoal 2A: End homelessness and substantially reduce the number of families and individuals with severe housing needs

The HCV program makes a substantial contribution to Subgoal 2A. Based on current tenant characteristics, over 62 percent of families assisted in 2012 will likely be extremely low-income (defined as household income at or below 30 percent of median income) and 19 percent will likely be very low-income (defined as household income between 31 and 50 percent of median income). If these families are not housed by the HCV program in calendar year 2012, they will be among those that are homeless or with severe housing needs. The Department is maximizing resources to provide relief to the needlest of our nation's citizens, which include elderly, homeless, disabled persons, veterans, and at-risk youth. Moreover, the HCV program is a key element in reducing both chronic and family homelessness under the President's Federal Strategic Plan (FSP) to Prevent and End Homelessness.

For fiscal year 2012, the Department requests \$75 million to fund approximately 11,538 new Veterans Affairs Supportive Housing (VASH) vouchers. Under VASH, a collaborative initiative with the Department of Veterans Affairs (VA), the VA provides case management to participating veterans and covers the service coordination and provision costs. The Department is also requesting \$56.91 million for 7,500 new vouchers to support a Housing and Services for Homeless Population Demonstration in partnership with the Department of Health and Human Services. Under this demonstration, HUD will provide housing assistance to homeless families and individuals and HHS will cover the vital services component.

Subgoal 2B: Expand the supply of affordable rental homes where most needed

HUD seeks to expand the supply of affordable rental homes through the HCV program through the planned leasing of incremental vouchers funded in 2011 and prior years. As of October 2010, there were 2,135,769 leased HCV units. The Department estimates that over 52 percent of the families currently served by the program would have worst-case housing needs—paying 50 percent or more of their income toward rent—if they were to lose their rent subsidy. Without the HCV program, an even greater number of families would be in need of housing assistance.

There are also market forces that make the HCV program a critical housing asset. The state of the economy and the increasing demand for rental housing generated by the foreclosure crisis have exacerbated the need for rental assistance. At the same time, the freeze in the credit markets and the sharp reduction in demand for Low-Income Housing Tax Credits (LIHTC) have greatly diminished the private capital available to improve and expand the supply of affordable rental housing. Through the HCV program, HUD supports a large inventory of affordable housing, an important resource given the current housing crisis.

In order to maintain the supply of affordable housing under current market conditions and tight budgetary times, the Department will implement a number of management improvements to the HCV program.

Subgoal 2C: Preserve the affordability and improve the quality of Federally assisted and private unassisted affordable rental homes

Under the HCV program, HUD currently provides more than 2.1 million affordable housing units to low-income families. Over the course of the next two years, the Department will implement a number of measures to improve program management, sustain leasing levels, and prevent funding shortfalls. These efforts will preserve a valuable affordable housing resource while improving management of the program at both the national and local levels. Together, these efforts will improve the overall quality of federally assisted housing.

Subgoal 2D: Expand families' choices of affordable rental homes located in a broad range of communities

The HCV program allows voucher holders to select their own rental units, thereby expanding families' choice of affordable rental homes to a broad range of communities. As such, the HCV program provides individuals and families with opportunities to reside in mixed-income communities and lower poverty neighborhoods within livable, sustainable communities that enhance health, safety, employment, and education outcomes. HUD is testing the concept of smaller Fair Market Rent (FMR) areas based on zip codes as part of its effort to achieve this subgoal. In 2010, a Federal Register notice was published that announced the Department would be conducting a demonstration program using Small Area Fair Market Rents in selected metropolitan areas in fiscal year 2011. Initially, the demonstration project will evaluate the extent to which additional burdens fall on PHAs administering small area FMRs, including the complexity of administering numerous payment standards, public outreach efforts, increased tenant education, and increased interaction with landlords.

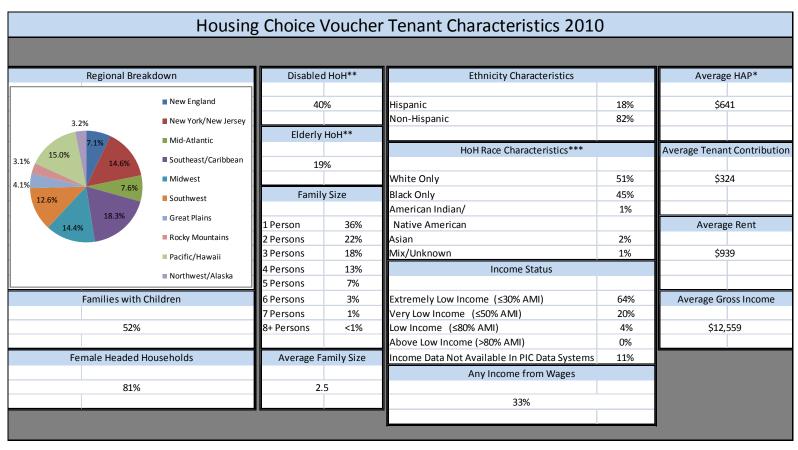
Subgoal 3C: Utilize HUD assistance to increase economic security and self-sufficiency

The Family Self Sufficiency (FSS) Program has long been a resource for increasing economic security and self-sufficiency among HCV program participants. The program funds family self-sufficiency coordinators who provide families with connections to services and the opportunity to build escrow accounts toward the goal of greater economic security and self-sufficiency. From fiscal year 2005 to fiscal year 2010, the number of PHAs that received funding for HCV FSS program

coordinators increased by 18 percent. The HCV budget request includes \$60 million for FSS program coordinators in 2012, the same amount of funding appropriated in 2010 for this purpose.

Housing Choice Voucher Tenant Characteristics

The Housing Choice Voucher program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. The table below provides demographic information on the families served.



Source: 2010 Public and Indian Housing Information Center (PIC) data as of December 31st, 2010.

^{*} Average monthly Housing Assistance Payment (HAP) of \$641 uses the last 12 months from the Voucher Management System (VMS).

^{**} HOH is Head of Household; AMI is Area Median Income.

^{***} Income Status adds to less than 100 percent because of rounding.

PUBLIC AND INDIAN HOUSING TENANT-BASED RENTAL ASSISTANCE Summary of Resources by Program (Dollars in Thousands)

Budget Activity	2010 Budget <u>Authority</u>	2009 Carryover <u>Into 2010</u>	2010 Total Resources	2010 <u>Obligations</u>	<u>2011 CR</u>	2010 Carryover Into 2011	2011 Total Resources	2012 <u>Request</u>
Contract Renewals	\$16,239,200	\$67,866	\$16,307,066	\$16,215,718	\$16,339,200	\$112,181	\$16,451,381	\$17,143,837
Administrative Fees	1,575,000	30,562	1,605,562	1,539,233	1,575,000	45,496	1,620,496	1,647,780
Section 8 Rental								
Assistance	120,000	83,358	203,358	143,511	120,000	59,847	179,847	75,000
FSS Coordinators	60,000	50,054	110,054	50,038	60,000	60,016	120,016	60,000
Veterans Affairs								
Supportive Housing								
(VASH) Program	75,000	976	75,976	70,529	75,000	5,447	80,447	75,000
Family Unification	45.000	45.000	20.000	45.0==	45.000	45.000	20.000	
Program	15,000	15,906	30,906	15,877	15,000	15,028	30,028	• • • •
Disaster Displacement Assistance		4 220	4 220	3,287		1 042	1 042	
Disaster Housing	• • •	4,329	4,329	3,207	• • •	1,043	1,043	• • •
Assistance Program for								
Hurricanes Ike and								
Gustav								50,000
Section 811 Mainstream								30,000
Renewals								114,046
Transformation								
Initiative (transfer)	100,000		100,000					
Housing and Services								
for Homeless Persons								
Demonstration								56,906
Non-Elderly Disabled	<u></u>	40,087	40,087	32,584	<u></u>	<u>7,503</u>	<u>7,503</u>	
Total	18,184,200	293,138	18,477,338	18,070,777	18,184,200	306,561	18,490,761	19,222,569

<u>FTE</u>	2010 <u>Actual</u>	2011 <u>Estimate</u>	2012 <u>Estimate</u>
Headquarters	260	270	262
Field	212	<u>231</u>	223
Total	472	501	485

Contract Renewals	<u>Amount</u>
2010 Appropriation	\$16,239,200
2011 CR	16,339,200
2012 Request	17,143,837
Program Improvements/Offsets	+804,637

Proposed Actions

For calendar year 2012 contract renewals, the Department requests an appropriation of \$17.14 billion. Contract renewals provide funding to renew expiring HCV program Housing Assistance Payments (HAP) on a calendar-year basis. The increase in funding for the TBRA account is primarily attributable to an increase in leasing levels, mostly driven by new incremental vouchers from fiscal years 2008 through 2011 rolling into the contract renewal base, as well as increases in the national per unit cost (PUC).

Incremental Vouchers

As part of HUD's Strategic Plan Subgoal 2B (Expand the supply of affordable rental homes where most needed), the Department is implementing a leasing optimization effort to ensure new incremental vouchers are leased in a timely manner and that PHAs continue leasing within their authorized budget authority. HUD aims in fiscal year 2012 to sustain the gains in optimal leasing levels for both renewal vouchers and new incrementals.

Increased Per Unit Costs

The rise in HAP reflects the increased per unit cost (PUC) necessary to support each voucher household. The Annual Adjustment Factors (AAFs) used in past renewal formulas have not proven accurate when compared to actual changes in PUC. A possible explanation for the differences could be variations across the country for those market areas in which voucher holders reside. In addition, studies by the Office of Policy Development and Research (PD&R) have shown that new admissions to the voucher program have, on average, lower incomes than current tenants. The AAF does not account for changes in HCV program participants' income when adjusting for changes in PUC. The discrepancy between the AAF and the actual increases in PUC has resulted in voucher renewal funding that has not kept pace with the cost required to sustain the same number of units under lease during the renewal period, which places additional demands on HAP resources. Moreover, there are additional incremental vouchers funded through appropriations in 2008, 2009, and 2010 that will roll into the renewal base in 2011.

For calendar year 2012 cost estimates, PD&R developed a time series model that forecasts monthly average PUCs (PD&R is in the initial stages of a procurement to hire a vendor to develop a more robust methodology for estimating PUCs). The model was constructed using monthly data over the 1996 through 2010 period and used the following independent variables:

- 1) The PUC for non-MTW vouchers from VMS and predecessor systems;
- 2) The seasonally adjusted unemployment rate and consumer price index (CPI-U) from the Bureau of Labor Statistics;
- 3) The wages and salaries component of personal income from the National Income and Product Accounts from the Bureau of Economic Analysis; and
- 4) A time trend and a constant.

The macroeconomic variables selected are components of the periodic economic forecasts published by the White House (the Council of Economic Advisors and the Office of Management and Budget) and allow HUD to forecast TBRA funding needs more accurately based on changing economic conditions. HUD projects a 2012 yearly PUC of approximately \$7,554.

The Department is again requesting authority in the 2012 Budget that would allow HUD to offset PHA contract renewal allocations based on NRA balances by the excess amounts established by the Secretary. If HUD exercised this authority, the Secretary would first be required to use the funds from the offset to avoid or reduce any downward proration in renewal funding. If there is no downward proration of contract renewal funding, or if offset funding remains after eliminating any downward proration, the Secretary would then have the authority to reallocate funds to other PHAs on the basis of need and performance. This policy will help to ensure that all contract renewal appropriations are used to assist the maximum number of families possible, will improve future funding utilization by encouraging PHAs to use their annual allocation in full, and may also assist in mitigating or avoiding PHA shortfalls. The ability of the HCV program to improve and stabilize leasing levels in fiscal year 2012 would be greatly enhanced by this policy change.

Finally, the Department requests \$135 million as a set-aside within the contract renewals allocation to fund:

- 1) Significant increases in renewal costs resulting from unforeseen circumstances or portability;
- 2) Adjustments for PHAs with leasing rates at the end of the calendar year that exceed the average leasing for the 12-month period used to establish the allocation:
- 3) Adjustments for vouchers not in use during the 12-month period to meet a commitment pursuant to section 8(o)(13) of the Act;
- 4) Any increase in costs associated with deposits to FSS program escrow accounts;
- 5) Adjustments for PHAs to prevent termination of assistance for families receiving assistance under the disaster voucher program;
- 6) Adjustments for the costs associated with VASH vouchers; and
- 7) Adjustments for PHAs that experienced a significant increase in renewal costs resulting from participation in the Small Area FMR demonstration.

The Secretary will be able to make set-aside determinations based on need. The set-aside amount is less than one percent of the contract renewal request and allows the Secretary to make critical adjustments to a PHA's baseline funding to prevent termination of vouchers for families receiving assistance.

Administrative Fees	<u>Amount</u>
2010 Appropriation	\$1,575,000
2011 CR	1,575,000
2012 Request	1,647,780
Program Improvements/Offsets	+72,780

Proposed Actions

The HCV program consists of two main cost components: Housing Assistance Payments (HAP) made to owners to cover the difference between tenant rent contributions and contract rents, and administrative fees paid to PHAs for the cost of administering the program. In fiscal year 2012, the Department requests \$1.65 billion for administrative fees. Administrative fees are a vital component of the HCV program, providing PHAs with the resources necessary to administer rental assistance to approximately 2.2 million families in fiscal year 2012. Approving units, evaluating tenant eligibility, and reviewing applications are personnel-intensive processes for PHAs. Administrative fees are necessary to maintain an effective level of service delivery and ensure that the right benefits are going to the right people.

Based on the amount appropriated, the administrative fees paid to PHAs during calendar years 2009 and 2010 were prorated downward to approximately 90 percent of eligibility. The Department's request would maintain the same estimated proration in 2012.

Administrative Fee Study

HUD is concerned that the current administrative fee calculation methodology is not sufficient to estimate the cost of administering the program accurately. The last comprehensive study on administrative fees was performed in 1988 and the purpose of that study was to compare the cost of the voucher program to the Housing Certificate Fund program.

HUD is conducting an in-depth time and motion study on the cost necessary to administer the voucher program effectively. The results of this study will provide justification for an adequate revision of the administrative fee funding formula for fiscal year 2013 and beyond. The study is expected to take approximately six months to perform beta-testing and to refine the research development and design tool. It will then take approximately 18 months for data collection, which will be

reported by PHA staff on a monthly basis. The Department's commitment to this administrative fee study represents a larger commitment to ensuring that PHAs receive adequate compensation for their services.

PUBLIC AND INDIAN HOUSING TENANT-BASED RENTAL ASSISTANCE Program Offsets (Dollars in Thousands)

Section 8 Rental Assistance	<u>Amount</u>
2010 Appropriation	\$120,000
2011 CR	120,000
2012 Request	<u>75,000</u>
Program Improvements/Offsets	-45,000

Proposed Actions

The Department proposes \$75 million in new budget authority for Tenant Protection (TP) vouchers in 2012. This request is necessary to provide housing for approximately 20,000 HUD-assisted families that will be at risk of displacement from the public housing, moderate rehabilitation, or HUD multifamily projects through no fault of their own. To meet this need, this budget request will be supplemented by approximately \$40 million in anticipated fiscal year 2011 TP carryover funds. Actions requiring TP vouchers are demand-driven, typically by individual owner and PHA decisions, making it difficult to estimate the actual needs for the calendar year (for instance, HUD awarded 25,292 vouchers in 2008, 21,098 vouchers in 2009, and 17,726 vouchers in 2010). HUD is estimating a demand of approximately 20,000 vouchers per year for 2011 and 2012.

Tenant Protection vouchers are crucial to protecting vulnerable families from losing access to affordable housing. There are a number of actions that make tenant protection vouchers necessary, including PHA demolition and disposition of public housing units (including HOPE VI), voluntary and mandatory conversion of public housing units, multifamily unit owner decisions to prepay preservation-eligible mortgages or to not renew expiring Section 8 contracts, and HUD enforcement actions against owners that fail to maintain their properties in safe and sanitary conditions. HUD is proposing an additional category of eligibility this year to allow the Department to provide TP vouchers to program participants once a demolition or disposition application is submitted (rather than when the application is approved) in cases where exigent health and safety issues are a concern.

Continuing to provide rental assistance for assisted families affected by these actions is vital to meeting HUD's Strategic Plan Goals, particularly Strategic Plan Goal 2 (Meet the Need for Quality Affordable Rental Homes). Failure to fully fund the TP request will place families at risk for loss of housing assistance due to actions or decisions for which they are not responsible.

FSS Coordinators	<u>Amount</u>
2010 Appropriation	\$60,000
2011 CR	60,000
2012 Request	60,000
Program Improvements/Offsets	

Proposed Actions

The Family Self-Sufficiency (FSS) program helps participants achieve employment goals and accumulate assets. FSS program participants receive training and counseling that enables them to increase their earned income and decrease or eliminate the need for rental assistance. As a result, rental assistance resources would be available for other families.

Services that may be required by FSS program participants, including child care, transportation, education, job training, employment counseling, substance/alcohol abuse treatment or counseling, household skill training, and homeownership counseling, are not funded by the FSS program. Instead, it is the role of the FSS program coordinator to build partnerships with employers and service providers in the community to help participants obtain jobs and services; each local program is responsible for obtaining services in the community. As such, FSS coordinators are essential to the success of the FSS program.

In fiscal year 2010, a total of 50,964 families were enrolled in the HCV/FSS program. Approximately 53 percent of families that were enrolled in the FSS program for at least 1-year reported an increase in earned income. According to records in the Department's Public and Indian Housing information Center (PIC) data system, 2,570 families completed their FSS contracts in fiscal year 2010; none of these families required welfare assistance upon completion of their contracts. Twenty-one percent of participants that completed their FSS contracts in 2010 moved to homeownership upon completion of the FSS contracts.

With the \$50 million appropriated in fiscal year 2009, the Department provided funding to PHAs that paid the salaries of approximately 1,000 HCV/FSS program coordinators during calendar year 2010. Applications for the \$60 million appropriated in fiscal year 2010 are under review and awards will be announced in early 2011.

PUBLIC AND INDIAN HOUSING TENANT-BASED RENTAL ASSISTANCE PROGRAM OFFSETS (DOLLARS IN THOUSANDS)

Veterans Affairs Supportive Housing (VASH) Program	<u>Amount</u>
2010 Appropriation	\$75,000
2011 CR	75,000
2012 Request	75,000
Program Improvements/Offsets	

Proposed Actions

The Veterans Affairs Supportive Housing (VASH) program supports High Priority Performance Goal 3 (End homelessness among veterans by providing rental vouchers for homeless veterans). The program combines tenant-based voucher assistance for homeless veterans with case management and clinical services provided by the Department of Veterans Affairs (VA) at its medical centers in local communities. PHAs awarded HUD-VASH vouchers develop partnerships with VA medical centers to help homeless veterans find permanent supportive housing. HUD awarded a total of 20,440 vouchers to PHAs from the 2008 and 2009 fiscal year appropriations. In 2010, the Department received an additional \$75 million for new VASH vouchers, with which HUD awarded another 9,510 tenant-based vouchers and up to 500 project-based vouchers to PHAs participating in the program. VASH vouchers will remain targeted for use by the intended veteran population upon turnover.

Investment in the HUD-VASH program supports one of the Administration's high priority performance goals to end homelessness for veterans within five years. This goal makes supported housing available for veterans and their families, specifically those who are chronically homeless and those with mental health and addiction issues. The request for \$75 million in fiscal year 2012 would allow HUD and the VA to serve an additional 11,538 homeless veterans (administrative fees for HUD-VASH vouchers are included in the Administrative Fee set-aside, which allows the \$75 million to be used exclusively for housing assistance).

HUD-VASH is an example of a successful collaborative program that uses the skill sets and resources of multiple Federal agencies to effectively provide services for a targeted population. Through its partnership with the Department of Veterans Affairs, HUD is able to provide additional services to clients and learn from the policies and processes of another agency. HUD and the VA have coordinated joint trainings for participating PHAs and VA medical centers and together have carried out site visits to learn about best practices and help grantees address ongoing challenges. The two agencies communicate on a daily basis to ensure smooth program operations. The VASH program may serve as a model for other supportive housing programs.

Serving a more vulnerable population has challenged PHAs to work closely with VA medical centers to develop innovative strategies to strengthen communication, and as a result, has produced better outcomes for participating veterans. The Santa Clara Housing Authority, for example, provides office space for VA case managers and both agencies use forms that were jointly developed to improve both efficiency and effectiveness. Other housing authorities have developed new

methods to expedite the placement of veterans in homes with a voucher. For instance, PHAs conduct outreach efforts and develop lists of property owners that are particularly interested in serving veterans. Best practices such as these are shared with other PHAs and implemented.

HUD-VASH continues to be an important means for veterans and their families to obtain and maintain affordable rental housing and case management services. The HUD-VASH contribution to the Federal Strategic Plan to Prevent and End Homelessness would also have a significant impact on HUD's Strategic Plan Subgoal 2A (End homelessness and substantially reduce the number of families and individuals with severe housing needs).

Family Unification Program	<u>Amount</u>
2010 Appropriation	\$15,000
2011 CR	15,000
2012 Request	<u></u>
Program Improvements/Offsets	-15,000

Proposed Actions

The Family Unification Program (FUP) is a program under which vouchers are provided to: (1) families for whom the lack of adequate housing is a primary factor in the separation or imminent placement of a child, or children, in out-of-home care, or the delay in the discharge of the child or children to the family from out-of-home care, and (2) youths 18 to 21 years old who left foster care at age 16 or older and lack adequate housing. To date this program has provided 5,084 rental assistance vouchers to 79 PHAs across the United States to reunite children in foster care with their parents.

The Department is not requesting additional vouchers for this initiative in 2012, but will continue to focus its attention on the effective administration of previously appropriated amounts.

Disaster Housing Assistance Program for Hurricanes Ike and Gustav	<u>Amount</u>
2010 Appropriation	
2011 CR	
2012 Request	\$50,000
Program Improvements/Offsets	+50,000

Proposed Actions

The Disaster Housing Assistance Program (DHAP-Ike/Gustav) for households affected by Hurricanes Ike and Gustav provides temporary rental assistance and case management services to families in Louisiana, Texas, and several other states.

In the fiscal year 2012 budget, the Department is requesting up to \$50 million to provide up to 5,500 vouchers for converting DHAP-lke families from temporary to permanent assistance under the HCV program. This request will provide continued assistance to our most vulnerable population, including elderly and disabled households, that were displaced by these natural disasters. If the full amount of the \$50 million is not needed to provide vouchers for all eligible families when the program ends, any remaining funds will be added to the HCV contract renewal funding allocation and allocated to PHAs in accordance with the renewal funding formula.

Section 811 Mainstream Renewals	<u>Amount</u>
2010 Appropriation	
2011 CR	
2012 Request	<u>\$114,046</u>
Program Improvements/Offsets	+114,046

Proposed Actions

The Housing for Persons with Disabilities (Section 811) program provides vouchers for persons with disabilities to access affordable, private housing of their choice. Housing for Persons with Disabilities is authorized and funded under Section 811 of the Cranston-Gonzalez National Affordable Housing Act to provide eligible non-profit organizations with capital advances and rental assistance for persons with disabilities. Housing for Persons with Disabilities is designed to meet the special physical needs of disabled individuals and to accommodate the provisions of supportive services.

The Frank Melville Supportive Housing Investment Act of 2010 (Public Law 111-374) was enacted into law on January 4, 2011. The Melville Act authorizes appropriation under the HCV program to convert the number of authorized mainstream vouchers in effect on the date of enactment to the HCV program. This funding is for the renewal of an estimated 15,000 mainstream vouchers under 8(o) in accordance with the Melville Act.

This program expands a family's choices for housing located in a broad range of communities, and does so in particular for a subset of the population with additional limitations on housing choices. Administering agencies are able to help persons with disabilities in locating and making physical modifications to the rental units of their choice. These and other available services combine with financial assistance for individuals whose disabilities make them difficult to house and limit their choice of community.

The program also provides individuals receiving rental assistance the opportunity to connect with other supportive services voluntarily. Administering agencies may connect with service providers, provide direct services, or simply enhance their existing housing search assistance to meet the needs of particular families. The Mainstream Vouchers program supports Strategic Plan Goal 2 (Meet the Need for Quality Affordable Rental Homes) by increasing access to housing for persons with disabilities and Strategic Plan Goal 3 (Utilize Housing as a Platform for Improving Quality of Life) by providing a mechanism through which administering agencies and their partners can address the particular challenges of persons with disabilities.

Housing and Services for Homeless Persons Demonstration	<u>Amount</u>
2010 Appropriation	
2011 CR	
2012 Request	<u>\$56,906</u>
Program Improvements/Offsets	+56,906

Proposed Actions

For fiscal year 2012, the Department is requesting \$56.91 million to fund 7,500 new vouchers to serve homeless families and chronically homeless persons. These vouchers would be coupled with supportive services from the Department of Health and Human Services (HHS) and are a critical component in the Federal Strategic Plan to End Homelessness (FSP).

This demonstration is premised on the notion that targeted programs alone cannot end homelessness. Mainstream housing, health, and human service programs will have to be more fully engaged to prevent future homelessness and significantly reduce the number of families and individuals who are currently homeless. As part of this demonstration, two separate initiatives will be funded in an effort to demonstrate how mainstream programs can be aligned to significantly decrease homelessness. One initiative will focus on individuals with special needs who are homeless or at risk of homelessness, and the other will focus on families that are homeless or at risk of homelessness. Vouchers for both initiatives will be distributed competitively to PHAs that partner with health, human services, employment, and education agencies to address the needs of homeless families and individuals.

Initiative 1: Individuals with special needs who are homeless or at risk of homelessness:

This initiative is designed to model ways that resources across Federal agencies can be used to address the housing and service needs of persons with special needs who are homeless or at risk of homelessness. The supportive housing approach to meeting the needs of homeless persons with special needs is predicated upon access to affordable housing (often through a tenant-based or project-based subsidy) and, on a voluntary basis, to the array of human services needed to stabilize families and individuals in their housing. This HUD-HHS demonstration would combine Housing Choice Vouchers with health, behavioral health, and other support services. The demonstration will target low-income, single, childless adults who are homeless and already enrolled in Medicaid through coverage expansion under 1115 Waivers or state-only initiatives. These homeless individuals will be eligible to receive a housing voucher through public housing agencies (PHAs) and will be eligible to receive physical and behavioral health services through their existing Medicaid eligibility. In addition, HHS will partner with HUD to leverage grants administered by the Substance Abuse and Mental Health Services Administration in order to provide the wraparound support that promotes housing stability and improvements in health outcomes for this population.

Initiative 2: Families with children who are homeless or at risk of homelessness

This initiative establishes a mechanism for HUD, HHS, and Department of Education (ED) programs to stabilize homeless families to reduce the costs associated with poor school performance and poverty. This initiative strategically targets resources to: (1) identify families who are homeless or at risk of homelessness, (2) intervene with the appropriate array of housing assistance, income supports, and services to ensure that the family does not fall into the shelter system or onto the street (or, if already homeless, that the family is housed and does not return to homelessness), and (3) provide the tools necessary for a family to escape poverty and reach its highest possible level of self-sufficiency.

HUD and HHS will work together to design both competitive initiatives and select PHAs eligible to participate in the demonstrations. In addition, a key element will be a joint evaluation on both initiatives to determine: (1) the cost savings of the proposed approach with regard to healthcare and housing systems; (2) the ease with which this demonstration can be implemented on a larger scale; and (3) the appropriate cost-sharing among Federal agencies for underwriting services that increase housing stability and improve health and other outcomes.

The Housing and Services for Homeless Persons Demonstration program is central to the Department's mission to promote safe, decent, and affordable housing, particularly the Department's Strategic Goal of ending homelessness and substantially reducing the number of families and individuals with severe housing needs. This initiative fits into the larger strategy of the United States Interagency Council on Homelessness (USICH) and its FSP, discussed in more detail in the justification for the Homeless Assistance Grants account.

Transformation Initiative (transfer)	<u>Amount</u>
2010 Appropriation	\$100,000
2011 CR	
2012 Request	<u></u>
Program Improvements/Offsets	

Proposed Actions

In fiscal year 2012, the Department renews its request for the Transformation Initiative, which provides the Secretary the flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 0.5 percent of the funds appropriated for this account may be transferred to the Transformation Initiative Fund account for the following purposes: research, evaluations, and program metrics; program demonstrations; and technical assistance and capacity building. Departmentwide, no more than \$120 million will be transferred to the Transformation Initiative Fund account in fiscal year 2012. More details on the overall Transformation Initiative and these projects are provided in the justification for the Transformation Initiative Fund account.

PUBLIC AND INDIAN HOUSING TENANT-BASED RENTAL ASSISTANCE Appropriations Language

Below is the italicized appropriation language for the Tenant-Based Rental Assistance account.

For activities and assistance for the provision of tenant-based rental assistance authorized under the United States Housing Act of 1937, as amended (42 U.S.C. 1437 et seq.) ("the Act" herein), not otherwise provided for,\$15,222,569,082, to remain available until expended, shall be available on October 1, 2011 (in addition to the \$4,000,000,000 previously appropriated under this heading that will become available on October 1, 2011), and \$4,000,000,000, to remain available until expended, shall be available on October 1, 2012: Provided, That of the amounts made available under this heading are provided as follows:

(1) No less than \$17,143,836,548 shall be available for renewals of expiring section 8 tenant-based annual contributions contracts (including renewals of enhanced vouchers under any provision of law authorizing such assistance under section 8(t) of the Act) and including renewal of incremental vouchers: Provided, That notwithstanding any other provision of law, from amounts provided under this paragraph and any carryover, the Secretary for the calendar year 2012 funding cycle shall provide renewal funding for each public housing agency based on validated voucher management system (VMS) leasing and cost data for the prior calendar year and by applying an inflation factor as established by the Secretary by notice published in the Federal Register, and by making any necessary adjustments for the costs associated with the first-time renewal of vouchers under this paragraph including tenant protection, and HOPE VI vouchers: Provided further, That public housing agencies participating in the Moving-to-Work demonstration shall be funded pursuant to their Moving-to-Work agreements: Provided further, That the Secretary may offset public housing agencies' calendar year 2012 allocations by the excess amount of agencies' net restricted assets accounts as established by the Secretary by notice published in the Federal Register: Provided further, That Moving To Work agencies may also be subject to an offset, as determined by the Secretary, from the agencies' calendar year 2012 Moving to Work funding allocation: Provided further, That the Secretary shall use any such offset to first avoid or reduce the proration of renewal funding allocations and then on the basis of need, as established by the Secretary by notice published in the Federal Register: Provided further, That the Secretary shall, to the extent necessary to stay within the amount specified under this paragraph, pro rate each public housing agency's allocation, including Moving-to-Work agency allocations, otherwise established pursuant to this paragraph: Provided further, That except as provided in the following provisos, the entire amount specified under this paragraph shall be obligated to the public housing agencies based on the allocation and pro rata method described above, and the Secretary shall notify public housing agencies of their annual budget not later than 60 days after enactment of this Act: Provided further, That the Secretary may extend the 60-day notification period with prior written notice to the House and Senate Committees on Appropriations: Provided further, That up to \$135,000,000 shall be available only: (1) to adjust the allocations for public housing agencies, after application for an adjustment by a public housing agency that experienced a significant increase, as determined by the Secretary, in renewal costs of tenant-based rental assistance resulting from unforeseen circumstances or from portability under section 8(r) of the Act; (2) for adjustments for public housing agencies with voucher leasing rates at the end of the Calendar Year that exceed the average leasing for the 12-month period used to establish the allocation; (3) for vouchers that were not in use during the 12-month period in order to be available to meet a commitment pursuant to section 8(o)(13) of the Act; (4) for any increase in the costs associated with deposits to family selfsufficiency program escrow accounts; (5) to adjust allocations for public housing agencies to prevent termination of assistance to families receiving assistance under the disaster voucher program, as authorized by Public Law 109-148 under the heading "Tenant-Based Rental Assistance"; (6) for adjustments for the costs associated with VASH vouchers; (7) for adjustments for public housing agencies that experienced a significant increase, as determined by the Secretary, in

renewal costs as a result of participation in the Small Area FMR demonstration: Provided further, That the Secretary shall allocate amounts under the previous proviso based on need as determined by the Secretary;

(2)\$75,000,000 shall be for section 8 rental assistance for relocation and replacement of housing units that are demolished or disposed of pursuant to Section 18 of the Act, as amended, conversion of section 23 projects to assistance under section 8, the family unification program under section 8(x) of the Act, relocation of witnesses in connection with efforts to combat crime in public and assisted housing pursuant to a request from a law enforcement or prosecution agency, enhanced vouchers under any provision of law authorizing such assistance under section 8(t) of the Act, HOPE VI vouchers, mandatory and voluntary conversions, and tenant protection assistance including replacement and relocation assistance or for project based assistance to prevent the displacement of unassisted elderly tenants currently residing in section 202 properties financed between 1959 and 1974 that are refinanced pursuant to Public Law 106-569, as amended, or under the authority as provided under this Act: Provided Further, That when a public housing development has submitted for demolition or disposition under Section 18 of the Act, as amended, the Secretary may provide section 8 rental assistance when the units pose an imminent health and safety risk to residents:

- (3) \$1,647,780,434 shall be for administrative and other expenses of public housing agencies in administering the section 8 tenant-based rental assistance program, of which up to \$50,000,000 shall be available to the Secretary to allocate to public housing agencies that need additional funds to administer their section 8 programs, including fees associated with section 8 tenant protection rental assistance, the administration of disaster related vouchers, Veterans Affairs Supportive Housing vouchers, and other incremental vouchers: Provided, That no less than \$1,597,780,434 of the amount provided in this paragraph shall be allocated to public housing agencies for the calendar year 2012 funding cycle based on section 8(q) of the Act (and related Appropriation Act provisions) as in effect immediately before the enactment of the Quality Housing and Work Responsibility Act of 1998 (Public Law 105-276): Provided further, That if the amounts made available under this paragraph are insufficient to pay the amounts determined under the previous proviso, the Secretary may decrease the amounts allocated to agencies by a uniform percentage applicable to all agencies receiving funding under this paragraph or may, to the extent necessary to provide full payment of amounts determined under the previous proviso, utilize unobligated balances, including recaptures and carryovers, remaining from funds appropriated to the Department of Housing and Urban Development under this paragraph shall be only for activities related to the provision of tenant-based rental assistance authorized under section 8, including related development activities;
- (4) \$60,000,000 shall be available for family self-sufficiency coordinators under section 23 of the Act;
- (5) \$114,046,000 for renewal of tenant-based assistance contracts under section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013), as amended, entered into prior to fiscal year 2007;
- (6) Up to \$50,000,000 for incremental tenant-based assistance for eligible families assisted under the Disaster Housing Assistance Program for Hurricanes Ike and Gustav: Provided, That these vouchers will not be re-issued when families leave the program;
- (7) \$56,906,100 for incremental voucher assistance under section 8(o) of the United States Housing Act of 1937, for two competitive demonstration programs to address the needs of families and individuals who are homeless or at risk of homelessness, as defined by the Secretary of Housing and Urban Development, to be

administered by the Department of Housing and Urban Development in conjunction with the Department of Health and Human Services and the Department of Education: Provided, That one demonstration program shall make funding available to public housing agencies that: (1) partner with eligible state or local entities responsible for distributing Temporary Assistance for Needy Families (TANF) and other health and human services as designated by the Secretary of the Department of Health and Human Services, and (2) partner with school homelessness liaisons funded through the Department of Education's Education for Homeless Children and Youths program: Provided further, That the other demonstration program shall make funding available to public housing agencies that partner with eligible state Medicaid agencies and state behavioral health entities as designated by the Secretary of the Department of Health and Human Services to provide housing in conjunction with Medicaid case management, substance abuse treatment, and mental health services: Provided further, That the Secretary of Housing and Urban Development shall make the funding specified in this subsection available through such allocation procedures as the Secretary determines to be appropriate, notwithstanding section 213 of the Housing and Community Development Act of 1974 (42 U.S.C. 1439) and section 204 (competition provision) of this title, to entities with demonstrated experience and that meet such other requirements as determined by the Secretary: Provided further, That the Secretary of Housing and Urban Development may waive, or specify alternative requirements for any provision of any statute or regulation that the Secretary of Housing and Urban Development administers in connection with the use of funds made available under this paragraph (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the Secretary that any such waivers or alternative requirements are necessary for the effective delivery and administration of such voucher assistance: Provided further, That the Secretary shall publish in the Federal Register the alternative requirements (including waivers of any statute or regulation necessary to establish the alternative requirements) that the Secretary shall administer pursuant to this subsection no later than 10 days before the effective date of such alternative requirements: Provided further, That assistance made available under this subsection shall continue to remain available for these purposes upon turn-over;

(8) \$75,000,000 for incremental rental voucher assistance for use through a supported housing program administered in conjunction with the Department of Veterans Affairs as authorized under section 8(o)(19) of the United States Housing Act of 1937: Provided, That the Secretary of Housing and Urban Development shall make such funding available, notwithstanding section 204 (competition provision) of this title, to public housing agencies that partner with eligible VA Medical Centers or other entities as designated by the Secretary of the Department of Veterans Affairs, based on geographical need for such assistance as identified by the Secretary of the Department of Veterans Affairs, based on geographical need for such assistance as identified by the Secretary of the Department of Veterans Affairs: Provided further, That the Secretary of Housing and Urban Development in consultation with the Secretary of the Department of Veterans Affairs: Provided further, That the Secretary of Housing and Urban Development may waive, or specify alternative requirements for (in consultation with the Secretary of the Department of Veterans Affairs), any provision of any statute or regulation that the Secretary of Housing and Urban Development administers in connection with the use of funds made available under this paragraph (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the Secretary that any such waivers or alternative requirements are necessary for the effective delivery and administration of such voucher assistance: Provided further, That assistance made available under this paragraph shall continue to remain available for homeless veterans upon turn-over.

PUBLIC AND INDIAN HOUSING TENANT-BASED RENTAL ASSISTANCE Crosswalk of 2010 Availability (Dollars in Thousands)

Budget Activity	2010 Enacted	Supplemental/ Rescission	Approved <u>Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	Total 2010 <u>Resources</u>
Contract Renewals	\$16,239,200				\$67,866	\$16,307,066
Administrative Fees	1,575,000				30,562	1,605,562
Section 8 Rental Assistance	120,000				83,358	203,358
FSS Coordinators	60,000				50,054	110,054
Veterans Affairs Supportive Housing						
(VASH) Program	75,000				976	75,976
Family Unification Program	15,000				15,906	30,906
Disaster Displacement Assistance					4,329	4,329
Disaster Housing Assistance Program						
for Hurricanes Ike and Gustav						
Section 811 Mainstream Renewals						
Transformation Initiative (transfer)	100,000					100,000
Housing and Services for Homeless						
Persons Demonstration						
Non-Elderly Disabled	<u></u>	<u></u>	<u></u>	<u></u>	40,087	40,087
Total	18,184,200				293,138	18,477,338

PUBLIC AND INDIAN HOUSING TENANT-BASED RENTAL ASSISTANCE Crosswalk of 2011 Changes (Dollars in Thousands)

Budget Activity	2011 President's Budget <u>Request</u>	2011 CR	2011 Supplemental/ <u>Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	Total 2011 Resources
Contract Renewals	\$17,114,493	\$16,339,200			\$112,181	\$16,451,381
Administrative Fees	1,791,000	1,575,000			45,496	1,620,496
Section 8 Rental Assistance	125,000	120,000			59,847	179,847
FSS Coordinators	60,000	60,000			60,016	120,016
(VASH) Program		75,000			5,447	80,447
Family Unification Program		15,000			15,028	30,028
Disaster Displacement Assistance Disaster Housing Assistance Program					1,043	1,043
for Hurricanes Ike and Gustav	66,000					
Section 811 Mainstream Renewals	113,663					
Transformation Initiative (transfer)	195,507					
Housing and Services for Homeless						
Persons Demonstration	85,000					
Non-Elderly Disabled	<u></u>	<u></u>	<u></u>	<u> </u>	7,503	<u>7,503</u>
Total	19,550,663	18,184,200			306,561	18,490,761