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Section 8 Housing Choice Voucher Program Funding Falls Short in 2008 Is SEVRA the Answer for Tennessee?

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In March 2008, Public Housing Agencies (PHAs) across the country received calendar year 2008 funding awards for the Housing Choice Voucher (HCV) Program from the Department of Housing and Urban Development (HUD). The awards were funded based on the provisions of the 2008 Consolidated Appropriations Act (Public Law 110-161) and are retroactive to January 1, 2008.

The Act bases housing assistance payments (HAP) funding for calendar year 2008 on leasing data (and costs) during federal fiscal year 2007, plus an inflationary factor. Most PHAs will see an increase in funding for HAP in 2008 due to a healthy 7% pro-ration factor applied by HUD. Some agencies also have funds available in HAP equity or reserve accounts that will boost their ability to lease units up to their authorized baselines. For many agencies, this is the first opportunity since 2003, when funding was block granted based on May, June, July 2002 leasing rates, to lease to their authorized baseline or to assist the maximum number of families assigned by HUD.

The other side of funding for voucher programs is administrative fee funding, which is allocated to cover the costs associated with administering the voucher program. While most PHAs received HAP funding sufficient to lease more units (and assist more families) in 2008 than in 2007, THDA received less administrative funding to cover the costs associated with administering the HAP funding as a result of a policy change in the 2008 Act. With increased HAP funding for more units, it will be hard to stretch the

reduced administrative fees to assist the higher number of households to be served.

From 2003 until 2007, fees were block granted based on 2003 fee eligibility. In 2008, Congress returns funding to pre-2003 methods where agencies are paid fees based on the number of units/families under a voucher lease at the first of each month multiplied by a published fee determined by HUD. The fee structure is problematic for several reasons: (1) The published fee rates for Tennessee, especially in rural counties, are extremely low compared to many other states; (2) Some PHAs still do not have enough HAP funding to lease to their authorized baseline, which will reduce their fee eligibility; (3) Recent estimates show a 14% shortfall in the administrative funding provided under the Act, which will mean an across-the-board pro-ration for all PHAs. Currently, it is expected that every PHA will receive 14% less in administrative fees than the amount published in HUD's fee schedule.

For the Tennessee Housing Development Agency (THDA), one of the largest PHAs administering the voucher program in the state, the fee picture is especially difficult. THDA is a state agency administering the voucher program in 75 counties that are mostly rural and suburban and are primarily located where other PHAs do not operate. THDA's voucher program covers an extremely large geographical territory, which increases the costs associated with administering the program. In 2008, the THDA's administrative fee funding is less than that received in 1998, even before considering the expected 14% across-the-board pro-ration. Under the

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new funding formula, THDA will receive 28% less in administrative funding than was received in 2007 (if the agency spends 100% of HAP funding). THDA has submitted an appeal to HUD for an increased fee, but the response is pending. In THDA's case, HAP funding will allow the agency to assist the "baseline" number of units (families) assigned to the agency for the first time since 2003, but THDA may not be able to afford the costs associated with increasing its program size due to the significant reduction in fees.

What is the long term solution to PHA funding concerns? Will the provisions contained within SEVRA (H.R.1851, S2684), which is currently being debated in the Senate, help solve the funding crisis faced by Tennessee voucher program administrators? The answer is that while most of the provisions will be beneficial and should be adopted, it is simply not enough. PHAs need much greater regulatory flexibility than the provisions in SEVRA allow to effectively manage the program with significantly reduced administrative funding. PHAs either need to be funded what it costs to administer the program within the complex web of existing regulations or they need to be allowed the flexibility to provide housing assistance based on local concerns and funding availability.

That said, the provisions contained within SEVRA do begin to address some of the concerns expressed by PHAs over the past few years. Perhaps most importantly, the bill allows some needed flexibility in the area of income calculations and inspections. The simplified rent rules and streamlined inspection components of SEVRA make sense and would work to offset some administrative costs. But, for PHAs such as THDA facing almost 30% decreases in administrative funding, this is not enough flexibility to reduce costs to the level necessary for long-term capacity. In reality, THDA will be unable to recover approximately \$1 million in indirect and direct costs.

While SEVRA, the 2009 legislation under discussion, would not restore HAP funding to pre-2003 levels, it would establish permanent funding methods that will allow PHAs to know how much HAP funding they would receive from year to year (before the calendar year begins) and plan accordingly to maximize the number of families assisted with available dollars. It does so by essentially continuing the methods used to fund HAP costs in the 2008 Appropriations Act.

Unlike the HAP funding provisions in SEVRA, the administrative fee structure proposed could be problematic for Tennessee PHAs. The administrative fee funding structure mirrors the 2008 appropriation, which under funds most Tennessee PHAs. The fee rates determined by HUD vary widely across the U.S., with Tennessee receiving some of the lowest reimbursements. Additionally, if HUD fails to request or Congress fails to provide adequate funding to cover all published fees in any given year and HUD must pro-rate PHAs as they have in 2008, it could significantly reduce the capacity of Tennessee PHAs to administer the voucher program.

SEVRA may help reduce PHA costs when administering the program but not to the degree needed for Tennessee agencies to make up the administrative funding shortfall. Much more flexibility is needed long-term for PHAs to effectively manage programs with drastically-reduced administrative funding. Given the federal deficit and the low likelihood that funding for housing programs will be substantially increased, Congress must pass wide-reaching regulatory reform for the voucher program to guarantee its long term survival. SEVRA is a good start, but PHAs need Congress to seriously consider more significant regulatory reforms in the near future for all voucher administrators, such as those contained within the Moving to Work (MTW) demonstration program.

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