

Ensuring NAHMA Members Receive the Latest News and Analysis of Breaking Issues in Affordable Housing

National Affordable Housing Management Association - 526 King Street, Suite 511 - Alexandria, VA 22314
Phone 703-683-8630 - Fax 703-683-8634 - www.nahma.org



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Housing Assistance for Needy Families (HANF) Act

Effective Date or Deadline

Changes to the Section 8 program authorized by these bills would only become effective after the President signed legislation passed by both chambers of Congress into law.

Background

In his 2004 HUD budget, President Bush proposed converting Section 8 tenant-based vouchers to a State-administered block grant. The new program would be known as Housing Assistance for Needy Families (HANF). After careful consideration of the Administration's proposal, NAHMA adopted a position of strong opposition against it. (See NAHMAanalysis 2003-0331 for details.)

Changing the Section 8 program in the manner proposed by the Administration requires an act of Congress. Late last month, legislation which would create the proposed block grant, the Housing Assistance for Needy Families (HANF) Act, was introduced in each chamber. Rep. Bob Ney, Chairman of the House Financial Services Subcommittee on Housing and Community Opportunity, introduced the HANF Act as HR 1841. Sen. Wayne Allard, Chairman of the Senate Banking Subcommittee on Housing and Transportation, introduced a similar HANF bill as S 947.

This NAHMAanalysis builds upon the previous publication. It is intended to examine the bills which have been introduced to implement the President's proposal.

Summary

S 947 and HR 1841 represent the legislative text of the President's proposal to convert tenant-based Section 8 assistance to a State-administered block grant. Although the bills are not identical, they have the following key provisions in common:

1. The Housing Assistance for Needy Families (HANF) block grant would be funded at the federal level through annual appropriations at the level of “such sums as may be necessary.”
2. States would design their own programs based on minimal federal guidance.
3. They would be required, subject to the availability of appropriations, to provide HANF assistance to at least the average number of families served by the Section 8 Housing Choice Voucher Program “during the 120-day period ending on September 30, 2004.”
4. Eligible uses of HANF would be limited to tenant-based rental assistance, homeownership assistance, administrative costs and other activities specified by the Secretary to further those goals.
5. Families who receive Section 8 assistance under the current Section 8 voucher program would be “grandfathered”; that is, they would continue to receive assistance subject to those program requirements.
6. States may provide HANF assistance to families having up to 80 percent of area median income (AMI), and the Secretary could set higher income ceilings for elderly and disabled families.
7. At least 75 percent of families receiving first-time HANF assistance will be extremely low-income families, but States may receive waivers to lower this requirement to 55 percent.
8. Families can only be required to pay 30 percent of their gross monthly income toward rent or homeownership payments, though they can pay more if they wish.
9. States must establish a minimum \$50 per month rent, and may issue case-by-case hardship exemptions.
10. In FY 2004, PHAs would continue to receive tenant-based Section 8; in 2005, States would receive the money based on the ratio of funds PHAs in each State received in 2004; and in 2006, States would receive the block grant based on a formula allocation.

A key difference between the bills is that S 947 specifically sunsets the current tenant-based Section 8 programs. For Fiscal Year 2010 and beyond, all tenant-based Section 8 would be subject to HANF terms and conditions.

Issues of Concern to NAHMA

Many of the same concerns which led NAHMA to strongly oppose the initial HANF proposal apply to S 947 and HR 1841. For instance, NAHMA continues to believe that a more pragmatic alternative to the block grant would allow greater flexibility for rent increases and administrative streamlining in the current federal Section 8 program. Likewise, NAHMA continues to believe recently enacted changes to the current Section 8 allocation formula should be tested to see whether they bring voucher funding more in line with actual utilization prior to radically altering the voucher program.

In NAHMA analysis 2003 – 0331, strong concerns were expressed that the HANF block grant may not keep pace with the costs of providing rental assistance. Upon review of these bills, NAHMA has a heightened concern about the potential for federal funding shortfalls.

One of the most worrisome provisions in each bill can be found under the sections which “grandfather” families who are currently receiving Section 8 assistance. There is great uncertainty regarding what happens to families receiving assistance through the current Section 8 program if the HANF grant is not enough to fund their subsidies in the amounts specified by the current program requirements. The legislation merely requires that, “the State shall make every effort to continue to provide assistance to the greatest extent possible to the same number of assisted families in the State.” A reasonable person could assume that this language implies States are left to their own resources if what they get from the federal government is not enough.

More troubling still is the question of who will pay the subsidized portion of the Section 8 tenants’ rent if States can’t come up with the additional money. Landlords would appear to have good cause for concern about non-payment. Even under the HANF proposal, families are only *required* to contribute 30 percent of their monthly income, or a \$50 monthly minimum rent.

Another worrisome aspect of these bills is that grandfathered Section 8 families may be competing with newly assisted HANF families for the same pot of money. Each bill specifically requires HUD “subject to the availability of appropriations” to provide States with additional money for enhanced vouchers “based on the number of eligible tenants previously receiving such assistance in that State.” Yet neither bill notes distinct funding sources for the grandfathered Section 8 families or the newly assisted HANF recipients. Each category of assisted families appears to receive funding from the same source. This raises an additional concern about which category of assisted family receives priority for funding. Priority for funding is not specifically established in the legislation. Therefore, the language which requires “the State shall make every effort to continue to provide assistance to the greatest extent possible to the same number of assisted families in the State” if funds are insufficient to cover the grandfathered families becomes that much more worrisome. NAHMA will actively seek clarification on this important point from the sponsors of the bill.

NAHMA continues to believe that the one-year transition period from public housing authority to State administration is oversimplified and unrealistic. First, States would have to hire employees to administer the program. If States simply subcontract with the PHAs, a legitimate question develops as to why so much effort has been undertaken to add an extra layer of administration. Beyond creating and administering their individual programs, States will also be responsible for inspecting the dwelling units, determining what constitutes a “reasonable rent” compared to “rents charged for non-luxury dwelling units in the private unassisted local market,” and establishing the maximum subsidy levels for housing assistance.

Finally, there is a cautionary tale about the federal government’s inability to keep pace with rising program costs in the Medicaid healthcare program. Medicaid differs in key respects from the proposed HANF legislation. Unlike HANF, Medicaid was created in 1965, according to the Department of Health and Human Services’ website, as “a jointly funded cooperative venture between the Federal and State governments to assist States in the provision of adequate medical care to eligible needy persons.” Like the HANF proposal, States administer their own programs,

establish their own eligibility criteria, set payment rates, and determine “the type, amount, duration, and scope of services.”

Despite the intended partnership between the Federal and State governments, budget crises have begun to take their toll on this State-administered program. An April 10 news release posted on the National Governors’ Association website noted:

Medicaid reform has become a top priority for the nation's governors due to skyrocketing costs that have reached crisis proportions in many States. The program's cost now exceeds \$280 billion a year - \$159 billion of which is the federal share and \$121 billion of which is the share of State and local governments. Medicaid currently serves more than 47 million low-income, disabled, and elderly individuals. Rising health care costs and rising caseloads, coupled with declining State revenues have made the program unsustainable for many States.

In summary, NAHMA is concerned that States could be short-changed through the HANF program, and by extension, so could landlords and their tenants.

Positive Aspects of This Policy/Proposal

Chairman Ney, the sponsor of HR 1841, has emphasized that the bill was introduced at the request of the Administration. In his April 30 press release, Chairman Ney asserted, “. . . while I am introducing this legislation at the request of the Administration, I am also entering this debate as a neutral party, focused on crafting the best piece of legislation to meet the housing needs of the poor.”

As long as the Chairman keeps an open mind, NAHMA will have the opportunity to make the case against the block grant.

NAHMA’s position

As these bills are the legislative text to implement the Administration’s worrisome HANF block grant proposal, which NAHMA previously voted to strongly oppose, NAHMA has no choice but to also strongly oppose them by extension.