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Block Granting the Tenant-Based Section 8 Voucher Program

Effective Date

The tenant-based Section 8 program could only be converted to a state block grant if Congress passed a bill making this change, and the President signed that bill into law.

Background

In his 2004 Budget request, President Bush proposed converting the tenant-based Section 8 program to a state-administered block grant. The program would be renamed Housing Assistance for Needy Families (HANF).

At the request of the Chair and Vice Chair of NAHMA's Federal Government Affairs Committee, this issue was raised at NAHMA's Winter Meeting. On March 3, the Federal Government Affairs Committee opened the floor for discussion of the proposal. Views expressed by NAHMA members ranged from strongly concerned to strongly opposed.

As the next step in the public policy development process, NAHMA's Board of Directors considered the proposal. On March 27, the Board voted to strongly oppose the proposed Section 8 block grant.

Summary

The President's proposal has not yet been introduced as legislation in Congress. At this point, all that is known about the HANF proposal is derived from the descriptions found in the 2004 budget documents issued by HUD and the Office of Management and Budget (OMB).

Based on those documents, the following framework emerges:

1. HANF would be a block grant.
 - a. It is not specified whether HANF would be subject to appropriations that can increase or decrease annually (such as the HOME block grant) or whether states

would be allotted a specified funding level for a fixed period of years (like the TANF block grant).

2. States would be required to serve “at least the same number of families as they currently serve.”
3. States would be given greater flexibility to “streamline and set rules to meet market conditions or support their own policy goals.”
4. Greater coordination with the Temporary Assistance for Needy Families (TANF) welfare program “will be encouraged.”
5. FY 2004 would be a “transitional year.”
 - a. PHAs would receive payments to cover the units leased, but a “Central Fund” would be created to assist states in preparing to take over the program.

The Administration has offered the following reasons to explain why it believes HANF will be an improvement over the current system:

1. States would manage the program better than the PHAs.
2. States could better coordinate with other federal programs, like welfare, to move tenants from public assistance to self-sufficiency.
3. States would have increased flexibility in the program and could tailor HANF assistance to meet local needs.
 - a. This would improve voucher utilization.
4. A block grant will increase use of funds.
 - a. Administration officials have argued the HANF grant will better ensure that voucher money is used to provide affordable housing.
 - b. HUD believes sending the funds directly to states will avoid the problem of having to capture \$1 billion annually in unused Section 8, which is then used for non-housing purposes.

Issues of Concern to NAHMA

First and foremost among NAHMA’s concerns is preserving Section 8 tenant-based vouchers as a key component of housing assistance. NAHMA agrees that greater efficiencies could be achieved in the tenant-based Section 8 voucher program. However, NAHMA respectfully suggests that a more pragmatic solution would allow greater flexibility for rent increases and administrative streamlining in the current federal program.

Secondly, NAHMA believes the HANF proposal is a solution in search of problems which are already being addressed. Voucher utilization problems, which have led to annual recaptures of about \$1 billion in unused Section 8 funds, are key justifications the Administration has offered for HANF. However, the recapture issue was recently addressed in the FY 2003 Consolidated Appropriations Bill (P.L. 108-7). This legislation, which was signed into law on February 20, included changes to the voucher allocation formula which were intended to bring the voucher funding PHAs receive more in line with actual utilization. The legislation also included safeguards which sought to ensure continued funding for all current vouchers and allow PHAs to continue increasing the number of families they serve up to their authorized levels. NAHMA believes these very recently enacted changes should be tested before the entire voucher program is radically altered.

NAHMA is extremely concerned that the HANF block grant, in any form, may not keep pace with the costs of providing rental assistance. States are currently having significant budget difficulties. If they are given responsibility for HANF, and if the federal government does not sufficiently fund the program, it is unclear whether states would be financially able to continue serving the same number of voucher recipients—much less expand the program to serve additional families. NAHMA is concerned that the voucher program may be jeopardized if it is block granted and subsequently under-funded at the federal level.

NAHMA is also concerned that the HANF proposal may be grossly underestimating the difficulties of transitioning administration of this \$13 billion program. The Administration wants to use FY 2004 as a transition year. The documents are not definitive on whether the transition would be completed by 2005. NAHMA is skeptical regarding the likelihood of achieving a smooth transition in only one year's time. First, many states are having their own budget difficulties; the extent to which states would be willing to invest the necessary time and money for personnel, training, and policy development to design and administer their own programs is unclear. In the case of the TANF welfare reform block grant, it took time to get the program off the ground, even when state governments had been vocal in their willingness to assume responsibility for the program. Congress and President Clinton approved TANF in the summer of 1996. The effective date of the TANF block grant was July, 1997. However, the Department of Health and Human Services did not issue the final rules on TANF until April of 1999. The final rules for TANF went into effect in the fall of 1999. Furthermore, if HUD is serious about enforcing a requirement on states to continue serving at least the same number of people under HANF, the federal government will still be required to oversee the program. Once again, NAHMA firmly believes that improvements in voucher utilization and management could be made within the current programmatic framework.

Finally, NAHMA is concerned that HANF could be the first step in de-federalizing or eliminating rental housing assistance altogether. The direction of HUD, as reflected in statements by the President, the Secretary, and HUD's recently proposed Five Year Strategic Plan, has disproportionately focused on homeownership initiatives. At a time when HUD is fixated on homeownership, what is the true message behind a proposal to block grant a program which OMB recently rated as "moderately effective" (after deeming vouchers "effective" and touting them as a virtual panacea for housing assistance in the 2003 budget)? Following this line of thought, NAHMA is legitimately concerned about the future of HUD and RHS' project-based programs. OMB scores for these programs on the controversial Program Assistance Rating Tool (PART) scorecards ranged from "ineffective" for project-based Section 8 to "results not

demonstrated” for Section 202, Section 811, and Section 515. If the Administration wants to block grant a program that it believes has been working, what are its plans for the others?

Positive Aspects of This Policy Proposal

At least there is some recognition on the Administration’s part that the voucher program may achieve better results if additional administrative flexibility were granted. NAHMA would be interested in working with the Administration and members of Congress to improve the voucher program within the current programmatic framework.

NAHMA’s position

NAHMA strongly opposes the Administration’s proposal to convert the tenant-based Section 8 voucher program to a block grant.