Overview of Voucher Funding Proposal

NAHRO’s tenant-based voucher funding proposal, which includes Net Restricted Housing Assistance Payments Assets (NRA) and administrative fees, is intended to be used within existing appropriated funds.

Summary: Pre-QHWRA administrative fee rates would apply. Under this proposal, if NRA is available (both at the PHA and HUD-level), PHAs could augment their directly appropriated funding for ongoing administrative fees (if below a 100 percent pro-ration) to bring their fee pro-rations up to the same percentage of their calendar year-to-date voucher lease-up rate. If for example, all PHAs are operating under 83 percent pro-rated administrative fees with directly appropriated fee funds, a PHA with 93 percent leased vouchers year-to-date of its authorized vouchers could draw on NRA and HAP to bring its fee pro-ration up to 93 percent at pre-QHWRA fee rates. A PHA with 97 percent of vouchers leased year-to-date could draw NRA and HAP to bring its fee pro-ration up to 97 percent.

The proposal method would preserve the inherent incentive that PHAs currently have to lease the maximum number of households possible with the NRA available, but to enable agencies measured access to all of the funds available necessary to staff their voucher programs to actually achieve that objective. In the national aggregate, approximately 10 percent of total NRA funds are needed to pay 100 percent pro-rations in ongoing administrative fees. If, in the example above, a PHA was able to access 10.8 percent of its total annual fee funding from NRA funds to reach a 93 percent voucher lease-up rate in 2011, it would represent approximately one percent of their NRA funds being accessed for administrative fees. By doing so, it would have allowed them to at least maintain the number of families served in 2011 and possible increase the number of families served. Without this proposal and/or without increasing direct funding for administrative fees, NAHRO’s survey results show that this PHA (and others like them) are likely to serve four percent fewer families at 83 percent administrative fee pro-rations.

Background on Shortcomings of Existing Voucher Funding Method

Under the current funding structure of tenant-based voucher programs, hard fought existing appropriated funds neither goes to either: 1) benefitting eligible low-income households nor 2) providing adequate administrative fee pro-rations to PHAs so that they could maintain staff and service levels that necessary to make full use of appropriated Housing Assistance Payments (HAP) and Net Restricted HAP Assets (NRA). NAHRO’s September 30, 2009 survey of PHAs found that 32 percent of PHAs could have otherwise served 8 percent more families (up to their baseline number of vouchers) with the HAP funds and additional net restricted HAP assets available to them, but were unable to do so because of insufficient administrative fees. Simply put, fewer staff means fewer people can be served.

From CY 2004 – CY 2010, PHAs administering the Housing Choice Voucher (HCV) program have experienced an average annual proration of 90 percent of their ongoing administrative fees due in part to HUD’s underestimates of the amounts necessary to fully fund those fees. Under the FY 2011 Continuing Resolution, PHAs' ongoing administrative fees were cut by $128 million (-8.38 percent) for 2011 compared with 2010. HUD estimates that the ongoing administrative fee reduction will result in a maximum 83 percent pro-ration for the twelve
months of CY 2011, resulting in the lowest ongoing administrative fee proration in the 36-year history of the voucher program. At $1.35 billion for ongoing administrative fees, it would be just 7.9 percent of appropriated HAP funds for FY 2012, well below the 10 percent standard normally associated with a reasonable aggregate cost to administer a Federal grant.

While the FY 2011 CR provided 98.81 percent Housing Assistance Payments pro-rations to serve the families with vouchers under lease in FFY 2010 (10/01/09 - 09/30/10), the bill reduced the HCV program’s ongoing administrative fees to approximately 83 percent of the amount of the fee rate authorized by Congress to adequately administer HCV, HUD-VASH, Mainstream and Family Unification Program vouchers. NAHRO’s March 1 -18, 2011 survey of PHAs shows that, even with the HAP funding provided in the Act, an 83 percent administrative fee proration for 2011 will likely result in widespread PHA staff layoffs, not filling positions when staff leave, and workload increases, all of which will likely lead to approximately 87,352 fewer families leased through the voucher program from July 1, 2011 – June 30, 2012 than leased in 2010. This would be the largest drop in voucher-assisted families in the shortest period of time in the history of the voucher program.

PHAs’ voucher program responsibilities that will also be compromised include: 1) leasing up voucher households; 2) quality control of Housing Quality Standard inspections; 3) expanding housing opportunities for voucher holders; 5) fraud prevention and program integrity enforcement measures; 4) annual reexaminations; and 5) rent reasonableness. Many PHAs will be unable to continue to fund the portion of their voucher Family Self-Sufficiency (FSS) Coordinator(s)' salary and/or benefits, that are not usually completely covered in HUD's FSS Coordinator grant.

For many years, until FY 2003, Congress annually appropriated a single amount to cover HAP and administrative fees, together with a proviso confirming that the fees were to be earned according to a rate specified in statute. (These fees cannot be considered earned and may not be drawn until an eligible family is successfully leased.) In 2003, Congress began to appropriate HAP, and administrative fees separately in response to a perceived need for HUD to better account for these fees. The Voucher Management System (VMS) was subsequently developed and implemented to facilitate the financial management of the voucher program and to allow better accounting for funds. Presently, VMS allows accurate, current accounting of HAP, NRA and administrative fees expended by PHAs. As a result, HUD has the information systems to ensure that PHAs’ expenditures of HAP, NRA and administrative fee funding complies with the above funding proposal, if enacted.