Chairwoman Murray, Ranking Member Collins, members of the Transportation, Housing and Urban Development and Related Agencies Subcommittee; thank you for providing an opportunity for outside witnesses to testify with respect to the FY 2014 HUD budget. The National Association of Housing and Redevelopment Officials (NAHRO) is one of the nation's oldest housing advocacy organizations. It represents over 3,100 housing and redevelopment authorities nationwide who provide decent, safe and affordable housing in neighborhoods of quality for well over 2 million families -- including senior citizens, the disabled and our nation's veterans. Our members are on the front lines every day assisting to assist vulnerable families and the homeless in both urban and rural America. They know what works, what does not and why; they are mission-driven and they remain, following decades of service to the community, an essential component of the nation's housing delivery system.

Our national network of housing and community development (HCD) professionals stands ready to use taxpayers' dollars wisely and with integrity to move us closer to a nation in which all people have decent, safe, affordable housing and economic opportunity in viable, sustainable communities. NAHRO calls upon the Administration and the Congress to provide responsible funding levels for the core federal HCD programs that serve low- and moderate-income families at the local level. Recognizing the fiscal realities you face, NAHRO also aggressively seeks a more rational, less administratively burdensome regulatory environment. NAHRO supports reforms, including essential statutory reforms under the purview of the Banking, Housing and Urban affairs Committee, which will allow local agencies to stretch federal investments further, house more families, and pursue targeted community and economic development activities with the potential to transform neighborhoods and communities.

**Tipping Point**

Our efforts as a nation to reduce the current federal deficit are important and well-intended. Unfortunately, their serious (though unintended) consequences are now affecting vulnerable families who would be homeless without the assistance they now receive through programs managed by NAHRO members. Limited 302B allocations to this Subcommittee over many years, coupled with spending caps implemented as a result of the Budget Control Act of 2011, disproportionate reductions in domestic discretionary dollars and the March 1 sequester, have resulted in historically low funding prorations for such things as voucher program administration and the public housing operating fund. Underfunding, coupled with a lack of regulatory relief, has finally brought us to a tipping point. Increasing numbers of housing authorities have advised or must soon advise vulnerable families currently receiving housing assistance payments that they can no longer assist them. More and more housing authorities are returning vouchers — including VASH vouchers — to HUD because they can no longer afford to administer the program (see chart on next page).
In addition, structural decisions impacting housing programs, such as the ill-timed reduction in public housing authority reserves in FY 2012, have put many housing authorities in a vulnerable position. Under current funding scenarios, some housing and redevelopment agencies — notably smaller entities in rural areas -- will in time be forced to close their doors. They will no longer be able to assist those who currently rely on them, much less families who have been on public housing and Section 8 waiting lists for many years.

Building on the valiant efforts of this Subcommittee to provide necessary dollars within the context of reduced allocations coupled with larger budget pressures, housing and redevelopment authorities have done more with less for years. The 2014 THUD appropriation provides us with an opportunity and a real challenge to deal with the current set of facts on the ground in far too many communities across the nation. A return to “regular order” in the Congress must be coupled with a return to fiscal policies that recognize our nation’s core values — notably our decades-long commitment to a decent home and suitable living environment for all Americans. In this spirit we respectfully urge your consideration and ultimate adoption of following principles:

- Preserve and revitalize the public housing inventory
- Reform, strengthen and adequately fund the Section 8 program
- Fully fund community and economic development programs
- Enact small housing authority reforms
- Expand the supply of affordable housing
- Fully fund homeless assistance grant programs
- Improve the regulatory environment for HCD agencies

**Program-Specific Recommendations**

We hope this Subcommittee, in conjunction with your colleagues on the Banking Committee, will let these recommendations guide your work in the formulation of funding decisions and necessary reforms for core HUD programs managed by our members. Our own FY 2014 funding recommendations can be found on page 4 of our testimony. For more detail, NAHRO’s 2013 Legislative and Regulatory Agenda is available online at: [www.nahro.org/sites/default/files/searchable/2013Agenda.pdf](http://www.nahro.org/sites/default/files/searchable/2013Agenda.pdf).
Public Housing

- Provide full funding for the operating costs and annual capital accrual needs of public housing through direct appropriations.
- Enable greater flexibility to direct available resources toward their highest priority needs, regardless of funding source.
- Seek dedicated resources for the revitalization of severely distressed public housing properties.
- Unlock the value of public housing assets by providing PHAs with a variety of tools to leverage and invest in the preservation of their properties.
- Provide in statute for the establishment of protected capital reserve accounts to allow PHAs to plan responsibly for future needs.
- Improve tools designed to allow PHAs to steward their portfolios as true asset managers, including HUD’s demolition and disposition regulations.
- Provide enhanced incentives for energy efficiency upgrades.

Section 8

- Provide appropriations sufficient to renew vouchers at actual rental assistance costs for all participating households and full funding for ongoing and special administrative fees as provided in Section 8(q) of the U.S. Housing Act as amended by the Quality Housing and Work Responsibility Act of 1998.
- Provide for a voucher funding formula that is based on the number of families served and voucher costs for the most recent calendar year for which data are available.
- Restore a responsible level of administrative fee funding under voucher programs.
- Provide for new authority to allow PHAs to utilize a portion of their Housing Assistance Payment Reserves to cover unmet administrative expenses related to leasing and retaining leased households.
- Enact meaningful voucher program reform legislation.
- Enable the immediate implementation of long-overdue regulatory and administrative reforms that will allow for the more efficient use of resources in voucher programs.
- Provide for a responsible level of funding for the renewal of Section 8 multi-family project-based rental assistance (PBRA) contracts.
- Maintain a level playing field in the competition for contracts under the Section 8 Performance-Based Contract Administrators initiative.

Community and Economic Development

- Restore funding for CDBG to ensure the success of state and local efforts to spur job creation and retention, provide vital public services, and expand affordable housing opportunities for low- and moderate-income families and individuals.
- Provide funding for the Sustainable Housing and Communities Initiative separate from and not as a set-aside under the CDBG program.
- Cover the credit subsidy for HUD’s Section 108 loan guarantee program, and increase the loan guarantee limit to $500 million as previously proposed by the Administration.
- Restore dedicated funding for HUD’s Brownfields Economic Development Initiative.
- Restore a responsible level of funding for the HOME Program.
- Enact a budget neutral mandatory funding source for the Housing Trust Fund.

Thank you again for the opportunity to testify. We look forward to discussing our funding recommendations with this Subcommittee in greater detail.
# NAHRO

Recommended FY 2014 Funding Levels for Selected HUD Programs

[Brackets] and italicized text indicate set-asides/sub-accounts.

<table>
<thead>
<tr>
<th>Program ($ Millions)</th>
<th>FY 2013</th>
<th>FY 2014</th>
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<tbody>
<tr>
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<td>Enacted</td>
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<td>Public Housing Operating Fund</td>
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<td>Emergency Capital Needs</td>
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<td>Tenant-Based Rental Assistance</td>
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<td>Ongoing Administrative Fees</td>
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<td>Additional Administrative Fees</td>
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<td>Family Self-Sufficiency (FSS) Coordinators</td>
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<td>Section 108 Loan Guarantees</td>
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<tr>
<td>Homeless Assistance Grants</td>
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**Notes:**

1. Enacted levels from Consolidated and Further Continuing Appropriations Act, 2013, as signed by the President on March 22, 2013. Figures reflect application of 0.2% across-the-board cut as required by the legislation.

2. Figures reflect 5% across-the-board sequestration reductions as calculated by the Office of Management and Budget on March 1, 2013.


4. NAHRO recommendations are for standalone line-item funding. Blank indicates no position.

5. The budget proposes to reduce eligibility by a total of $85 million through changes to flat rent and the medical expense deduction thresholds.

6. NAHRO’s recommendation assumes that eligibility is determined according to current statutes and regulations governing such calculations.

7. Proposes the elimination of safety and security measures as an eligible use of funding.

8. NAHRO’s support for this funding level is contingent upon responsible funding levels for the Operating and Capital Funds and the enactment of authorizing legislation requiring that two-thirds of each year’s funding be awarded to projects where PHAs are the lead or co-applicants.

9. The Act authorizes the use of HPD adjustment fund “for PHAs, that, despite taking reasonable cost savings measures, as determined by the Secretary, would otherwise be required to terminate participating families from the program due to insufficient funds.”

10. Assumes $235 million in savings from proposed changes to income targeting, minimum rents, and the medical expense deduction thresholds.

11. Also assumes an unspecified amount of indirect funding through offsets of “excess” HAP Reserves from non-MW PHAs and MW PHAs.

12. The Administration proposes eliminating the Section 8 FSS setaside in favor of a standalone consolidated program to serve Public Housing and Section 8 HCV residents.

13. The Act authorizes the use of “unobligated balances, including recaptures and carryover, remaining from funds appropriated” for FY 2013 and prior years under the headings of “Housing Certificate Fund,” “Annual Contributions for Assisted Housing,” and “Project-Based Rental Assistance” for “renewal of or amendments to section 8 project-based contracts and for performance-based contract administrators.”

14. NAHRO supports a stable, reliable subsidy stream in the form of full 12-month contract renewal funding.

   In lieu of appropriations, the Administration proposes collecting a fee from borrowers to cover the program’s credit subsidy costs.

April 16, 2012