



# Public Housing Authorities and Other Housing Advocates Spent the Year Fighting to Preserve Full Funding for Section 8 Housing Vouchers

BY CHARLES ELSSESER

**D**uring this past year, and likely in the years to come, the federal housing budget appropriation process has focused, and will continue to focus, on the Section 8 Housing Choice Voucher Program. Since its inception under President Nixon in 1974, the federal Section 8 Housing Choice Voucher Program has been one of the most successful and bipartisan housing programs serving the very lowest income households. For the first time in its existence, however, the program is being threatened with reduced budget appropriations that will significantly reduce its effectiveness. Housing advocates nationwide, including Public Housing Authorities, have spent the past year educating both the public and lawmakers about the importance of this program in protecting the poorest and most vulnerable households' access to affordable housing. Those efforts will have to increase if this program is to continue to play a central role in federal housing assistance.



Accounting Office found the voucher program to be the most cost-effective of the federal housing programs examined in the study. The Voucher Program provides rental assistance directly to landlords, generally the difference between 30 percent of the household's income and the market rent. Tenant households can choose any apartment or house provided the landlord is willing to participate in the program and the market rent is less than HUD's Fair Market Rent for the local area. The program currently assists roughly two million low-income families with children, senior citizens, and people with disabilities, but leaves about three-quarters of the eligible households unserved. Because the Voucher Program allows the tenant to pay rent based on the household income, it is one of the few housing subsidies that is able to serve extremely low income households – those making less than 30 percent of median income.

Local Public Housing Authorities administer the Section 8 voucher program, receiving funds from the federal government, and then entering into subsidy contracts with each individual landlord. Because the goal of the vouchers is to allow families to secure housing in the private market, in safer neighborhoods, with better schools and jobs, the program has enjoyed particularly strong bipartisan support. Congress has never, over the several decades of the program, failed to appropriate enough funds to renew all the existing vouchers for each fiscal year. In fact, given the monumental need, Congress, more often than not, expanded the number of existing vouchers each year. →

## WHAT IS THE SECTION 8 HOUSING CHOICE VOUCHER PROGRAM?

In 2001, the Millennial Housing Commission described the Section 8 voucher program as the “linchpin” of federal housing policy because it is “flexible, cost-effective, and successful in its mission” which is “providing very low-income renters access to the privately owned housing stock.” Similarly, a 2002 study by the U.S. General

## WHY ARE SECTION 8 HOUSING VOUCHERS IMPORTANT TO AFFORDABLE HOUSING ADVOCATES?

Section 8 Housing Vouchers are a vital component of every community's affordable housing strategy. They complement other subsidy programs by providing access to affordable housing for the very lowest income households. Most Public Housing Authorities depend on their Section 8 Housing Vouchers as their principal means of providing housing assistance to needy households. That dependence continues to increase as the "vouchering out" of public housing and other project-based subsidized housing has become increasingly common.

For tenants, their importance is also obvious. While vouchers may be difficult to use in some communities that lack a supply of existing housing, vouchers are, and hopefully will remain, the major source of housing assistance for very low income households. The demand for Housing Vouchers in Florida was dramatically illustrated in March 2001 when the Miami-Dade Housing Agency opened up its Section 8 waiting list for the first time in many years and received more than 63,000 applications for assistance in 10 days.

Recently, nonprofit developers have also begun to understand the importance of these housing vouchers. Acceptance of tenants using Section 8 Housing Vouchers allows developers to make Low Income Housing Tax Credit Projects more affordable to very low and extremely low income households. This allows for increased access by very poor households without threatening turnover or increased vacancies and increases the marketability of projects in poorer neighborhoods. In addition, Public Housing Authorities can now commit their Section 8 Housing Vouchers to specific project or "project base" the vouchers, which provides nonprofit housing developers with the only new source of project-based Section 8 income. Finally, recent changes in the regulations have permitted the limited use of Section 8 vouchers for home ownership which creates a new potential market for nonprofit homebuilders.

## THE FY 2004 SECTION 8 APPROPRIATIONS DEBATE

The broad bipartisan support for the Section 8 Housing Voucher program has been significantly tested during the

past two years. The Administration's FY 2004 budget proposal requested a Section 8 funding level which, according to the Center for Budget and Policy Priorities, would have left 137,000 authorized housing vouchers unfunded. This proposal, if adopted, would have, for the first time, threatened existing Section 8 voucher tenants with the loss of their housing subsidy solely because of an inadequate appropriation of federal funds.

Because the Section 8 Housing Voucher program is a little more than 50 percent of the HUD Budget, much of Congress's FY 2004 HUD appropriations debate focused specifically on whether the appropriation would allow for the continued funding of all of the Section 8 vouchers already authorized by Congress and in use by Public Housing Authorities and their tenants. The Center for Budget and Policy Priorities, the National Low Income Housing Coalition, and others produced studies demonstrating the need for an appropriation sufficient to "fully fund" all Housing Vouchers already in use by Public Housing Authorities and the dire consequences any significant reduction in the appropriation would have on Public Housing Authorities and their tenants. Because vouchers serve the very poorest households, the loss or reduction of this housing assistance would force these tenants to either give up their housing or to divert scarce resources from basic needs, such as food, child care, and clothing, in order to pay for housing. Housing advocates spent many months in late 2003 educating members of Congress on the importance of continuing full funding for the Housing Choice Voucher program. Finally, in late January of 2004, these advocates were able to celebrate the passage of the final HUD budget bill with sufficient funds to support all authorized vouchers.

## FY 2004 BUDGET IMPLEMENTATION CRISIS AND THE FY 2005 BUDGET

Any celebration over the FY 2004 "full funding" victory, however muted, was extremely short lived. Immediately housing advocates were confronted with the Administration's FY 2005 Budget which proposed to reduce the funding for the Section 8 Housing Voucher Program by more than \$1 billion below the level of the FY 2004 Budget just approved by Congress. The Center for Budget and Policy Priorities, in an initial analysis of the proposed FY 2005 budget, estimated that the proposed funding level could cause the loss of housing benefits for more than 250,000 families, elderly or disabled households.

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These analyzes of the budget proposal had just begun to circulate when the other shoe dropped. On April 22, 2004, HUD issued a notice that, for the first time, set forth HUD's novel interpretation of what advocates thought was the FY 04 "full funding" of the Housing Choice Voucher Program. In a notice to the 2,500 Public Housing Authorities that manage the Housing Voucher program, HUD explained that the Housing Authorities would no longer be paid based on the current costs of the vouchers they administer, but instead payment would be based on the cost of vouchers under lease just prior to Aug. 1, 2003, with an adjustment for inflation. Voucher costs at many of these Housing Authorities have risen since August 2003 at a faster rate than the inflation factor utilized by HUD (*which is often based on inflation in a region encompassing several states*). In addition Public Housing Authority expenses can increase for legitimate reasons not included in the inflation factor, such as reductions in tenant income due to layoffs, reduced work hours or health factors. For most Housing Authorities, this new formula meant a significant reduction in the monthly payments by HUD to the Housing Authorities.

In addition, the April 22<sup>nd</sup> HUD notice informed the Housing Authorities that the new payment formula would be retroactive to January 2004. Housing Authorities that received higher payments in January, February, and March of 2004 based on the old FY 2003 funding system would be required to pay back these "overpayments," meaning that their already reduced payments were reduced even further.

While HUD said that Housing Authorities could use their "reserves" to compensate for any shortfall, and HUD provided some additional funds to increase these reserves, many Housing Authorities continued to be severely underfunded. The consequences of these budget reductions, particularly in midyear, threatened serious consequences for both for Public Housing Authorities and their tenants. While the Housing Authorities' income from the federal government declined, their expenses did not. The Housing Authorities still were bound by their Section 8 contracts which guaranteed landlords' rental payments and set the tenant's maximum contributions. Faced with budget shortfalls, the Housing Authorities were faced with hard choices which

often clashed with their mission, and their desire, to provide affordable housing to the neediest families. The Housing Authorities' only options to reduce their Section 8 Housing Voucher expenses were by terminating existing contracts with landlords, lowering rent payments to landlords, raising tenant rents, stopping the reissuance of vouchers that became available, withdrawing vouchers from families who were looking for housing, and/or withdrawing commitments for project-based vouchers in developments underway. Housing Authorities in Florida were forced to consider all of these options. For example, several large Housing Authorities, including Gainesville, Jacksonville, and Panama City were considering freezing the issuance of turnover vouchers. Some, including Gainesville and Sumter County, were forced to consider withdrawing vouchers from households who had been issued the voucher but had not yet found housing. Many reduced their payment standard (*the maximum contract rent which the Housing Authority will pay*) to below the HUD Fair Market Rents and placed limits on the ability of the voucher holders to move out of the jurisdiction.

Once again Public Housing Authorities, housing advocates, tenants and their allies were forced to spend the summer educating Congress on the importance of fully funding Section 8 vouchers, while simultaneously aggressively arguing with U.S. HUD to reverse its interpretation of the 2004 appropriations language and to provide additional funding for Public Housing Authorities and, ultimately, for the low-income tenants.

In response to these concerns several members of Congress began to more closely scrutinize HUD's interpretation of the language that Congress had passed. There were calls for Congressional hearings and oversight. In response, HUD pointed to an appeal process to allow the Housing Authorities to demonstrate their need for a higher inflation factor for FY 2004 than HUD had allowed in its April 2004 notice. The Housing Authorities had until July 15<sup>th</sup> to appeal their funding levels and HUD provided a limited set of criteria upon which it would grant an appeal. Thus, throughout the summer, many Public Housing Authorities struggled with their funding shortfalls, being forced to consider such drastic remedies as increased tenant rents or even terminations of existing vouchers. While many



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of these Housing Authorities appealed the HUD inflation factor, others did not, citing the limited grounds for appeal. Recently, in September 2004, HUD announced that 398 of the more than 2500 Public Housing Authorities nationwide had appealed, and that HUD was providing \$156 million in additional funds to 379 of those Housing Authorities.


While it is too soon to assess the full impact of HUD’s implementation of the FY 2004 Section 8 appropriation, HUD’s funding of additional reserves and provision of additional funds through appeals and various other ad hoc funding responses has clearly ameliorated this year’s crisis for many of the most severely threatened Housing Authorities and their tenants. However, other Authorities remain underfunded despite HUD’s additional assistance. Moreover, the entire crisis was initially created by HUD’s April 22<sup>nd</sup> narrow interpretation of Congress’ clear desire to fully fund the Section 8 Housing Choice Vouchers. As the director of the Council of Large Public Housing Authorities (CLPHA) stated: “The truth is Congress had appropriated enough money to fund the vouchers, and made its intent clear. HUD manufactured a crisis that it is now claiming to have solved.”

Along the way, the damage done to the Section 8 Housing Voucher Program itself may well be irreparable. The traditional stability of the Housing Voucher Program has been undermined by HUD’s April 22<sup>nd</sup> action. No longer can a landlord, tenant, lender or developer consider Section 8 vouchers as a secure form of housing subsidy. This is not limited to the long term, this year’s actions question whether the Section 8 voucher payments are secure even during the year of their appropriation.

Finally, it remains to be seen as to whether FY 2005 will simply be a repeat of this year’s crisis. As a result of the educational work done by housing advocates this summer, the House budget bill, H.R. 5041, which awaits passage in the House, once again “fully funds” Section 8. However, it contains the

same language which HUD utilized in its April 22<sup>nd</sup> notice to wreak havoc on the program. (Sadly, the House fully funded the Section 8 Housing Voucher program by cutting the funding for all other HUD programs. In addition, the House bill cut Housing Authorities Section 8 reserves from one month to one week. These reserves were vital this year in lessening the impact of HUD’s interpretation of the 2004 budget.) On the Senate side, the Senate Appropriations Committee has just sent to the full Senate, S. 2825, its final version of the HUD FY 2005 Appropriations Act. The Senate bill funds all HUD programs, including the Section 8 Housing Voucher program, at higher levels than were appropriated in FY 2004. The funding is sufficient to fully fund the Housing Voucher program and the accompanying report voices continued support for the Section 8 Housing Voucher program. It is not now known when either of these bills will be passed by their respective houses or when the House and Senate will meet in conference to negotiate their differences – or what will occur in the interim.

What is clear, however, is that after years of strong unquestioned support, Section 8 vouchers will survive at its current level only if all housing advocates join with Public Housing Authorities in continuing to educate the public and their governmental representatives – at all levels of government – of the success and the importance of the Section 8 Housing Voucher program in serving the housing needs of the poorest and most vulnerable households. 

  
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*Charles Elsesser is an attorney with Florida Legal Services, specializing in affordable housing litigation and policy advocacy. His work is focused on protecting low income homeowners’ and tenants’ against displacement, and protecting existing affordable housing from loss through the expiration of rent restrictions, the loss of subsidy contracts or demolition. Charles serves on the board of the National Low Income Housing Coalition and the Advisory Council for the Florida Housing Coalition.*

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