

**Testimony of Secretary Shaun Donovan, U.S. Department of Housing and
Urban Development before the Committee on Financial Services U.S. House
of Representatives**

Thursday, May 21, 2009

Thank you, Chairman Frank, Ranking Member Bachus and Members of the committee for inviting me to testify on a draft of the Section Eight Voucher Reform Act (SEVRA). Between Housing Choice Voucher program (HCV) and public housing, HUD helps provide affordable housing to over 3.2 million families. This legislation would be a key step in improving that assistance.

I agree that the HCV program needs to be reformed to specifically provide an improved and predictable funding formula for the rental voucher program, reduce administrative burdens on public housing authorities (PHAs) and Section 8 landlords (landlords), and provide protections to tenants. The following are aspects of SEVRA that improve the current program, and I look forward to working with the Committee to reform the program.

Section 8 Funding Formula

First and foremost, SEVRA largely establishes a predictable, transparent voucher formula that will encourage PHAs to increase the utilization of funding. As you are well aware, beginning in 2003, Congress began to impose different renewal calculation formulas each year through the Appropriations Acts in a bid to arrest the growth in cost to renew Section 8 voucher funding. These efforts did more than just arrest growth, but contributed to a slide in funding utilization, beginning in 2004. While funding utilization has shown modest improvements in recent years, ensuring that renewal in 2010 will be sufficient to renew both new incremental vouchers and families that PHAs currently serve is a key component to not only stabilize voucher leasing and utilization rates but also continued improvement, as well. The formula contained in this draft legislation substantially achieves these objectives.

SEVRA also provides HUD with the authority to reallocate excess amounts among PHAs. This provision is long overdue. It would reward the PHAs that are high performers and will serve additional families by reallocating available budget authority to those PHAs that will put the funding to use. The formula also would allow HUD to make adjustment to the formula based on changes in voucher utilization rates and voucher costs related to natural and other major disasters. This, in turn, would give PHAs much needed flexibility to accommodate those situations where PHAs must adjust to situations out of their control.

Inspections

I also applaud the draft bill's effort to reduce many burdensome requirements on PHAs and landlords while improving access to affordable housing for tenants. For example, the bill would only require biennial, instead of annual, inspections. This would allow PHAs to concentrate their inspection resources on the more marginal and higher-risk units, but does not prevent them to perform annual inspections should they choose. The bill would also permit PHAs to make assistance payments to landlords while the owner makes minor repairs in cases where the rental home failed the initial inspection for only non life-threatening conditions. This change would expand potential housing opportunities for families and would be particularly helpful to families in low-vacancy markets.

Rent and Income Changes

The draft legislation also proposes to reform the current income and rent calculation system. This is a good thing because these systems are overly complex and administratively burdensome. SEVRA would represent an improvement over the current system. The draft bill would allow PHAs to defer the income re-examination for families with fixed incomes for up to 3 years, while imposing a simple asset cap for eligibility in lieu of the current complicated and burdensome computation of returns on assets

from income. Additionally, the earned income disregard provision will provide a positive incentive to reward working families and encourage self-sufficiency efforts on behalf of families. We look forward to working with the Committee to further streamline rent structures.

Administrative Fees

Another item of interest is the administrative fee provisions. Administrative fees are a vital component of the HCV program. These funds provide PHAs with the resources necessary to administer the program. Approving units, evaluating tenant eligibility and reviewing applications are personnel intensive processes for PHAs. These fees are necessary to maintain an effective level of service delivery and ensure the right benefits go to the right people.

The draft provisions would provide HUD the flexibility to utilize either a per unit fee structure of the 2003 rates inflated annually or a HUD regulation that accounts for the costs of administering the HCV program and could include performance incentives. In fact, we have initiated a research study on administrative fees related to the HCV program. Eventually, this study will help determine the distribution of administrative fees based on the number of families assisted by a PHA. The provisions in this draft bill will not only fully fund administration of HCV program in the near term, but allow us to develop a more accurate distribution formula in the future.

Moving-to-Work

I'd like to take a moment to discuss the Moving-to-Work program (MTW). I understand that the committee's approach to MTW is still under discussion and, thus, this draft does not yet include provisions for the program. I believe that all the other provisions of this draft, however, are testament to the need for the flexibility and innovation that MTW has thus far provided us. That innovation, however, needs rigorous research and study, such as we propose as part of the HUD Transformation Initiative that is found in our FY 2010 budget proposal and, of course, tenant protections that ensure that families are benefitted, and not undermined, by innovation.

Conclusion

I am optimistic about the efforts to reform the Housing Choice Voucher program. I have long worked for passage of many of the provisions contained in the draft bill. I am grateful to you for this opportunity to continue that work and look forward to taking advantage of your leadership in this regard.