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HOUSE OF REPRESENTATIVES
REPORT
110–216

SECTION 8 VOUCHER REFORM ACT OF 2007

JUNE 28, 2007.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. FRANK of Massachusetts, from the Committee on Financial Services, submitted the following

R E P O R T

together with

ADDITIONAL VIEWS

[To accompany H.R. 1851]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 1851) to reform the housing choice voucher program under section 8 of the United States Housing Act of 1937, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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59–006

AMENDMENT

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Section 8 Voucher Reform Act of 2007".

SEC. 2. INSPECTION OF DWELLING UNITS.

(a) IN GENERAL.—Section 8(o)(8) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(8)) is amended—

(1) by striking subparagraph (A) and inserting the following new subparagraph:

"(A) INITIAL INSPECTION.—

"(i) IN GENERAL.—For each dwelling unit for which a housing assistance payment contract is established under this subsection, the public housing agency (or other entity pursuant to paragraph (11)) shall inspect the unit before any assistance payment is made to determine whether the dwelling unit meets the housing quality standards under subparagraph (B), except as provided in clause (ii) or (iii) of this subparagraph.

"(ii) CORRECTION OF NON-LIFE THREATENING CONDITIONS.—In the case of any dwelling unit that is determined, pursuant to an inspection under clause (i), not to meet the housing quality standards under subparagraph (B), assistance payments may be made for the unit notwithstanding subparagraph (C) if failure to meet such standards is a result only of non-life threatening conditions. A public housing agency making assistance payments pursuant to this clause for a dwelling unit shall, 30 days after the beginning of the period for which such payments are made, suspend any assistance payments for the unit if any deficiency resulting in noncompliance with the housing quality standards has not been corrected by such time, and may not resume such payments until each such deficiency has been corrected.

"(iii) PROJECTS RECEIVING CERTAIN FEDERAL HOUSING SUBSIDIES.—In the case of any property that within the previous 12 months has been determined to meet housing quality and safety standards under any Federal housing program inspection standard, including the program under section 42 of the Internal Revenue Code of 1986 or under subtitle A of title II of the Cranston Gonzalez National Affordable Housing Act of 1990, a public housing agency may authorize occupancy before the inspection under clause (i) has been completed, and may make assistance payments retroactive to the beginning of the lease term after the unit has been determined pursuant to an inspection under clause (i) to meet the housing quality standards under subparagraph (B).";

(2) by striking subparagraph (D) and inserting the following new subparagraph:

"(D) BIENNIAL INSPECTIONS.—

"(i) REQUIREMENT.—Each public housing agency providing assistance under this subsection (or other entity, as provided in paragraph (11)) shall, for each assisted dwelling unit, make biennial inspections during the term of the housing assistance payments contract for the unit to determine whether the unit is maintained in accordance with the requirements under subparagraph (A). The agency (or other entity) shall retain the records of the inspection for a reasonable time and shall make the records available upon request to the Secretary, the Inspector General for the Department of Housing and Urban Development, and any auditor conducting an audit under section 5(h).

"(ii) SUFFICIENT INSPECTION.—An inspection of a property shall be sufficient to comply with the inspection requirement under clause (i) if—

"(I) the inspection was conducted pursuant to requirements under a Federal, State, or local housing assistance program (including the HOME investment partnerships program under title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12721 et seq.)); and

"(II) pursuant to such inspection, the property was determined to meet the standards or requirements regarding housing quality or safety applicable to units assisted under such program, and, if a non-Federal standard was used, the public housing agency has certified to the Secretary that such standards or requirements provide the same protection to occupants of dwelling units meeting such standards or requirements as, or greater protection than, the housing quality standards under subparagraph (B).''; and

(3) by adding at the end the following new subparagraph:

"(F) ENFORCEMENT OF HOUSING QUALITY STANDARDS.—

"(i) DETERMINATION OF NONCOMPLIANCE.—A dwelling unit that is covered by a housing assistance payments contract under this subsection shall be considered, for purposes of this subparagraph, to be in noncompliance with the housing quality standards under subparagraph (B) if—

"(I) the public housing agency or an inspector authorized by the State or unit of local government determines upon inspection of the unit that the unit fails to comply with such standards;

"(II) the agency or inspector notifies the owner of the unit in writing of such failure to comply; and

"(III) the failure to comply is not corrected within 90 days after receipt of such notice.

"(ii) WITHHOLDING AND RELEASE OF ASSISTANCE AMOUNTS.—The public housing agency shall withhold all of the assistance amounts under this subsection with respect to a dwelling unit that is in noncompliance with housing quality standards under subparagraph (B). Subject to clause (iii), the agency shall promptly release any withheld amounts to the owner of the dwelling unit upon completion of repairs that remedy such noncompliance.

"(iii) USE OF WITHHELD ASSISTANCE TO PAY FOR REPAIRS.—The public housing agency may use such amounts withheld to make repairs to the dwelling unit or to contract to have repairs made (or to contract with an inspector referred to in clause (i)(I) to make or contract for such repairs), and shall subtract the cost of such repairs from any amounts released to the owner of the unit upon remedying such noncompliance.

"(iv) PROTECTION OF TENANTS.—An owner of a dwelling unit may not terminate the tenancy of any tenant or refuse to renew a lease for such unit because of the withholding of assistance pursuant to this subparagraph.

"(v) TERMINATION OF LEASE OR ASSISTANCE PAYMENTS CONTRACT.—If assistance amounts under this section for a dwelling unit are withheld pursuant to clause (ii) and the owner does not correct the noncompliance before the expiration of the lease for the dwelling unit and such lease is not renewed, the Secretary shall recapture any such amounts from the public housing agency.

"(vi) APPLICABILITY.—This subparagraph shall apply to any dwelling unit for which a housing assistance payments contract is entered into or renewed after the date of the effectiveness of the regulations implementing this subparagraph.''.

(b) REGULATIONS.—The Secretary of Housing and Urban Development shall issue any regulations necessary to carry out the amendment made by subsection (a)(3) not later than the expiration of the 12-month period beginning upon the date of the enactment of this Act. Such regulations shall take effect not later than the expiration of the 90-day period beginning upon such issuance. This subsection shall take effect upon enactment of this Act.

SEC. 3. RENT REFORM AND INCOME REVIEWS.

(a) RENT FOR PUBLIC HOUSING AND SECTION 8 PROGRAMS.—Section 3 of the United States Housing Act of 1937 (42 U.S.C. 1437a(a)) is amended—

(1) in subsection (a)—

(A) in paragraph (1) by inserting "LOW-INCOME OCCUPANCY REQUIREMENT AND RENTAL PAYMENTS.—" after "(1)"; and

(B) by adding at the end the following new paragraphs:

"(6) REVIEWS OF FAMILY INCOME.—

"(A) FREQUENCY.—Reviews of family income for purposes of this section shall be made—

"(i) in the case of all families, upon the initial provision of housing assistance for the family;

"(ii) annually thereafter, except as provided in subparagraph (B)(i);

"(iii) upon the request of the family, at any time the income or deductions (under subsection (b)(5)) of the family change by an amount that is estimated to result in a decrease of $1,500 (or such lower amount as the public housing agency may, at the option of the agency or owner, establish) or more in annual adjusted income; and

"(iv) at any time the income or deductions (under subsection (b)(5)) of the family change by an amount that is estimated to result in an increase of $1,500 or more in annual adjusted income, except that any increase in the earned income of a family shall not be considered for purposes of this clause (except that earned income may be considered if the increase corresponds to previous decreases under clause (iii)), except that a public housing agency or owner may elect not to conduct such review in the last three months of a certification period.

"(B) FIXED-INCOME FAMILIES.—

"(i) SELF CERTIFICATION AND 3-YEAR REVIEW.—In the case of any family described in clause (ii), after the initial review of the family's income pursuant to subparagraph (A)(i), the public housing agency or owner shall not be required to conduct a review of the family's income pursuant to subparagraph (A)(ii) for any year for which such family certifies, in accordance with such requirements as the Secretary shall establish, that the income of the family meets the requirements of clause (ii) of this subparagraph, except that the public housing agency or owner shall conduct a review of each such family's income not less than once every 3 years.

"(ii) ELIGIBLE FAMILIES.—A family described in this clause is a family who has an income, as of the most recent review pursuant to subparagraph (A) or clause (i) of this subparagraph, of which 90 percent or more consists of fixed income, as such term is defined in clause (iii).

"(iii) FIXED INCOME.—For purposes of this subparagraph, the term 'fixed income' includes income from—

"(I) the supplemental security income program under title XVI of the Social Security Act, including supplementary payments pursuant to an agreement for Federal administration under section 1616(a) of the Social Security Act and payments pursuant to an agreement entered into under section 212(b) of Public Law 93–66;

"(II) Social Security payments;

"(III) Federal, State, local and private pension plans; and

"(IV) other periodic payments received from annuities, insurance policies, retirement funds, disability or death benefits, and other similar types of periodic receipts.

"(C) IN GENERAL.—Reviews of family income for purposes of this section shall be subject to the provisions of section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988.

"(7) CALCULATION OF INCOME.—

"(A) USE OF PRIOR YEAR'S INCOME.—Except as otherwise provided in this paragraph, in determining the income of a family for a year, a public housing agency or owner may use the income of the family as determined by the agency or owner for the preceding year, taking into consideration any redetermination of income during such prior year pursuant to clause (iii) or (iv) of paragraph (6)(A).

"(B) EARNED INCOME.—For purposes of this section, the earned income of a family for a year shall be the amount of earned income by the family in the prior year minus an amount equal to 10 percent of the lesser of such prior year's earned income or $10,000, except that the income of a family for purposes of section 16 (relating to eligibility for assisted housing and income mix) shall be determined without regard to any reduction under this subparagraph.

"(C) INFLATIONARY ADJUSTMENT FOR FIXED INCOME FAMILIES.—If, for any year, a public housing agency or owner determines the income for any family described in paragraph (6)(B)(ii), or the amount of fixed income of any other family, based on the prior year's income or fixed income, respectively, pursuant to subparagraph (A), such prior year's income or fixed income, respectively, shall be adjusted by applying an inflationary factor as the Secretary shall, by regulation, establish.

"(D) OTHER INCOME.—If, for any year, a public housing agency or owner determines the income for any family based on the prior year's income, with respect to prior year calculations of types of income not subject to subparagraph (B), a public housing agency or owner may make other adjustments as it considers appropriate to reflect current income.

"(E) SAFE HARBOR.—A public housing agency or owner may, to the extent such information is available to the public housing agency or owner, determine the family's income for purposes of this section based on timely income determinations made for purposes of other means-tested Federal public assistance programs (including the program for block grants to States for temporary assistance for needy families under part A of title IV of the Social Security Act, a program for medicaid assistance under a State plan approved under title XIX of the Social Security Act, and the food stamp program as defined in section 3(h) of the Food Stamp Act of 1977). The Secretary shall, in consultation with other appropriate Federal agencies, develop procedures to enable public housing agencies and owners to have access to such income determinations made by other Federal programs.

"(F) PHA AND OWNER COMPLIANCE.—A public housing agency or owner may not be considered to fail to comply with this paragraph or paragraph (6) due solely to any de minimus errors made by the agency or owner in calculating family incomes.";

(2) by striking subsections (d) and (e); and

(3) by redesignating subsection (f) as subsection (d).

(b) INCOME.—Section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)) is amended—

(1) by striking paragraph (4) and inserting the following new paragraph:

"(4) INCOME.—The term 'income' means, with respect to a family, income received from all sources by each member of the household who is 18 years of age or older or is the head of household or spouse of the head of the household, plus unearned income by or on behalf of each dependent who is less than 18 years of age, as determined in accordance with criteria prescribed by the Secretary, in consultation with the Secretary of Agriculture, subject to the following requirements:

"(A) INCLUDED AMOUNTS.—Such term includes recurring gifts and receipts, actual income from assets, and profit or loss from a business.

"(B) EXCLUDED AMOUNTS.—Such term does not include—

"(i) any imputed return on assets; and

"(ii) any amounts that would be eligible for exclusion under section 1613(a)(7) of the Social Security Act (42 U.S.C. 1382b(a)(7)).

"(C) EARNED INCOME OF STUDENTS.—Such term does not include earned income of any dependent earned during any period that such dependent is attending school on a full-time basis or any grant-in-aid or scholarship amounts related to such attendance used for the cost of tuition or books.

"(D) EDUCATIONAL SAVINGS ACCOUNTS.—Income shall be determined without regard to any amounts in or from, or any benefits from, any Coverdell education savings account under section 530 of the Internal Revenue Code of 1986 or any qualified tuition program under section 529 of such Code.

"(E) OTHER EXCLUSIONS.—Such term shall not include other exclusions from income as are established by the Secretary or any amount required by Federal law to be excluded from consideration as income. The Secretary may not require a public housing agency or owner to maintain records of any amounts excluded from income pursuant to this subparagraph."; and

(2) by striking paragraph (5) and inserting the following new paragraph:

"(5) ADJUSTED INCOME.—The term 'adjusted income' means, with respect to a family, the amount (as determined by the public housing agency or owner) of the income of the members of the family residing in a dwelling unit or the persons on a lease, after any deductions from income as follows:

"(A) ELDERLY AND DISABLED FAMILIES.—$725 in the case of any family that is an elderly family or a disabled family.

"(B) DEPENDENTS.—In the case of any family that includes a member or members who—

"(i) are less than 18 years of age or attending school or vocational training on a full-time basis; or

"(ii) is a person with disabilities who is 18 years of age or older and resides in the household,

$500 for each such member.

"(C) HEALTH AND MEDICAL EXPENSES.—The amount, if any, by which 10 percent of annual family income is exceeded by the sum of—

"(i) in the case of any elderly or disabled family, any unreimbursed health and medical care expenses; and

"(ii) any unreimbursed reasonable attendant care and auxiliary apparatus expenses for each handicapped member of the family, to the extent necessary to enable any member of such family to be employed.

"(D) PERMISSIVE DEDUCTIONS.—Such additional deductions as a public housing agency may, at its discretion, establish, except that the Secretary shall establish procedures to ensure that such deductions do not increase Federal expenditures.

The Secretary shall annually adjust the amounts of the exclusions under subparagraphs (A) and (B), as such amounts may have been previously adjusted, by applying an inflationary factor as the Secretary shall, by regulation, establish. If the dollar amount of any such exclusion determined for any year by applying such inflationary factor is not a multiple of $25, the Secretary shall round such amount to the next lowest multiple of $25.".

(c) HOUSING CHOICE VOUCHER PROGRAM.—Paragraph (5) of section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(5)) is amended—

(1) in the paragraph heading, by striking "ANNUAL REVIEW" and inserting "REVIEWS";

(2) in subparagraph (A)—

(A) by striking "the provisions of" and inserting "paragraphs (6) and (7) of section 3(a) and to"; and

(B) by striking "and shall be conducted upon the initial provision of housing assistance for the family and thereafter not less than annually"; and

(3) in subparagraph (B), by striking the second sentence.

(d) ENHANCED VOUCHER PROGRAM.—Section 8(t)(1)(D) of the United States Housing Act of 1937 (42 U.S.C. 1437f(t)(1)(D)) is amended by striking "income" each place such term appears and inserting "annual adjusted income".

(e) PROJECT-BASED HOUSING.—Paragraph (3) of section 8(c) of the United States Housing Act of 1937 (42 U.S.C. 1437f(c)(3)) is amended by striking the last sentence.

(f) IMPACT ON PUBLIC HOUSING REVENUES.—

(1) INTERACTION WITH ASSET MANAGEMENT RULE.—If the Secretary of Housing and Urban Development determines that the application of the amendments made by this section results in a reduction in the rental income of a public housing agency that is not de minimus during the period that the operating formula income is frozen at a level that does not fully reflect the changes made by such amendments, the Secretary shall make appropriate adjustments in the formula income of the agency.

(2) HUD REPORTS ON PUBLIC HOUSING REVENUE IMPACT.—For each of fiscal years 2008 and 2009, the Secretary of Housing and Urban Development shall submit a report to Congress identifying and calculating the impact of changes made by the amendments made by this section on the revenues and costs of operating public housing units.

(g) EFFECTIVE DATE AND TRANSITION.—The amendments made by this section shall apply with respect to fiscal year 2008 and fiscal years thereafter.

SEC. 4. ELIGIBILITY FOR ASSISTANCE BASED ON ASSETS AND INCOME.

(a) ASSETS.—Section 16 of the United States Housing Act of 1937 (42 U.S.C. 1437n) is amended by inserting after subsection (d) the following new subsection:

"(e) ELIGIBILITY FOR ASSISTANCE BASED ON ASSETS.—

"(1) LIMITATION ON ASSETS.—Subject to paragraph (3) and notwithstanding any other provision of this Act, a dwelling unit assisted under this Act may not be rented and assistance under this Act may not be provided, either initially or at each recertification of family income, to any family—

"(A) whose net family assets exceed $100,000, as such amount is adjusted annually by applying an inflationary factor as the Secretary considers appropriate; or

"(B) who has a present ownership interest in, and a legal right to reside in, real property that is suitable for occupancy as a residence, except that the prohibition under this subparagraph shall not apply to—

"(i) any property for which the family is receiving assistance under this Act;

"(ii) any person that is a victim of domestic violence; or

"(iii) any family that is making a good faith effort to sell such property.

"(2) NET FAMILY ASSETS.—

"(A) IN GENERAL.—For purposes of this subsection, the term 'net family assets' means, for all members of the household, the net cash value of all assets after deducting reasonable costs that would be incurred in disposing of real property, savings, stocks, bonds, and other forms of capital investment. Such term does not include interests in Indian trust land, equity accounts in homeownership programs of the Department of Housing and Urban Development, or Family Self Sufficiency accounts.

"(B) EXCLUSIONS.—Such term does not include—

"(i) the value of personal property, except for items of personal property of significant value, as the public housing agency may determine;

"(ii) the value of any retirement account;

"(iii) any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a member of the family and arising out of law, that resulted in a member of the family being disabled (under the meaning given such term in section 1614 of the Social Security Act (42 U.S.C. 1382c)); and

"(iv) the value of any Coverdell education savings account under section 530 of the Internal Revenue Code of 1986 or any qualified tuition program under section 529 of such Code.

"(C) TRUST FUNDS.—In cases where a trust fund has been established and the trust is not revocable by, or under the control of, any member of the family or household, the value of the trust fund shall not be considered an asset of a family if the fund continues to be held in trust. Any income distributed from the trust fund shall be considered income for purposes of section 3(b) and any calculations of annual family income, except in the case of medical expenses for a minor.

"(D) SELF-CERTIFICATION.—A public housing agency or owner may determine the net assets of a family, for purposes of this section, based on the amounts reported by the family at the time the agency or owner reviews the family's income.

"(3) COMPLIANCE FOR PUBLIC HOUSING DWELLING UNITS.—When recertifying family income with respect to families residing in public housing dwelling units, a public housing agency may, in the discretion of the agency and only pursuant to a policy that is set forth in the public housing agency plan under section 5A for the agency, choose not to enforce the limitation under paragraph (1).

"(4) AUTHORITY TO DELAY EVICTIONS.—In the case of a family residing in a dwelling unit assisted under this Act who does not comply with the limitation under paragraph (1), the public housing agency or project owner may delay eviction or termination of the family based on such noncompliance for a period of not more than 6 months.".

(b) INCOME.—The United States Housing Act of 1937 is amended—

(1) in section 3(a)(1) (42 U.S.C. 1437a(a)(1)), by striking the first sentence and inserting the following: "Dwelling units assisted under this Act may be rented, and assistance under this Act may be provided, whether initially or at time of recertification, only to families who are low-income families at the time such initial or continued assistance, respectively, is provided, except that families residing in dwelling units as of the date of the enactment of the Section 8 Voucher Reform Act of 2007 that, under agreements in effect on such date of enactment, may have incomes up to 95 percent of local area median income shall continue to be eligible for assistance at recertification as long as they continue to comply with such income restrictions. When recertifying family income with respect to families residing in public housing dwelling units, a public housing agency may, in the discretion of the agency and only pursuant to a policy that is set forth in the public housing agency plan under section 5A for the agency, choose not to enforce the prohibition under the preceding sentence. When recertifying family income with respect to families residing in dwelling units for which project-based assistance is provided, a project owner may, in the owner's discretion and only pursuant to a policy adopted by such owner, choose not to enforce such prohibition. In the case of a family residing in a dwelling unit assisted under this Act who does not comply with the prohibition under the first sentence of this paragraph, the public housing agency or project owner may delay eviction or termination of the family based on such noncompliance for a period of not more than 6 months.";

(2) in section 8(o)(4) (42 U.S.C. 1437f(o)(4)), by striking the matter preceding subparagraph (A) and inserting the following:

"(4) ELIGIBLE FAMILIES.—Assistance under this subsection may be provided, whether initially or at each recertification, only pursuant to subsection (t) to a family eligible for assistance under such subsection or to a family who at the time of such initial or continued assistance, respectively, is a low-income family that is—"; and

(3) in section 8(c)(4) (42 U.S.C. 1437f(c)(4)), by striking "at the time it initially occupied such dwelling unit" and inserting "according to the restrictions under section 3(a)(1)".

SEC. 5. TARGETING ASSISTANCE TO LOW-INCOME WORKING FAMILIES.

(a) VOUCHERS.—Section 16(b)(1) of the United States Housing Act of 1937 (42 U.S.C. 1437n(b)(1)) is amended—

(1) by inserting after "do not exceed" the following: "the higher of (A) the poverty line (as such term is defined in section 673 of the Omnibus Budget Reconciliation Act of 1981 (42 U.S.C. 9902), including any revision required by such section) applicable to a family of the size involved, or (B)"; and

(2) by inserting before the period at the end the following: "; and except that clause (A) of this sentence shall not apply in the case of families residing in Puerto Rico or any other territory or possession of the United States".

(b) PUBLIC HOUSING.—Section 16(a)(2)(A) of the United States Housing Act of 1937 (42 U.S.C. 1437n(a)(2)(A)) is amended—

(1) by inserting after "do not exceed" the following: "the higher of (i) the poverty line (as such term is defined in section 673 of the Omnibus Budget Reconciliation Act of 1981 (42 U.S.C. 9902), including any revision required by such section) applicable to a family of the size involved, or (ii)"; and

(2) by inserting before the period at the end the following: "; and except that clause (i) of this sentence shall not apply in the case of families residing in Puerto Rico or any other territory or possession of the United States".

(c) PROJECT-BASED SECTION 8 ASSISTANCE.—Section 16(c)(3) of the United States Housing Act of 1937 (42 U.S.C. 1437n(c)(3)) is amended—

(1) by inserting after "do not exceed" the following: "the higher of (A) the poverty line (as such term is defined in section 673 of the Omnibus Budget Reconciliation Act of 1981 (42 U.S.C. 9902), including any revision required by such section) applicable to a family of the size involved, or (B)"; and

(2) by inserting before the period at the end the following: "; and except that clause (A) of this sentence shall not apply in the case of families residing in Puerto Rico or any other territory or possession of the United States".

SEC. 6. VOUCHER RENEWAL FUNDING.

(a) IN GENERAL.—Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f) is amended by striking subsection (dd) and inserting the following new subsection:

"(dd) TENANT-BASED VOUCHERS.—

"(1) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated, for each of fiscal years 2008 through 2012, such sums as may be necessary for tenant-based assistance under subsection (o) for the following purposes:

"(A) To renew all expiring annual contributions contracts for tenant-based rental assistance.

"(B) To provide tenant-based rental assistance for—

"(i) relocation and replacement of housing units that are demolished or disposed of pursuant to the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104–134);

"(ii) conversion of section 23 projects to assistance under this section;

"(iii) the family unification program under subsection (x) of this section;

"(iv) relocation of witnesses in connection with efforts to combat crime in public and assisted housing pursuant to a request from a law enforcement or prosecution agency;

"(v) enhanced vouchers authorized under subsection (t) of this section;

"(vi) vouchers in connection with the HOPE VI program under section 24;

"(vii) demolition or disposition of public housing units pursuant to section 18 of the United States Housing Act of 1937 (42 U.S.C. 1437p);

"(viii) mandatory and voluntary conversions of public housing to vouchers, pursuant to sections 33 and 22 of the United States Housing Act of 1937, respectively (42 U.S.C. 1437z–5, 1437t);

"(ix) vouchers necessary to comply with a consent decree or court order;

"(x) vouchers to replace dwelling units that cease to receive project-based assistance under subsection (b), (c), (d), (e), or (v) of this section;

"(xi) tenant protection assistance, including replacement and relocation assistance; and

"(xii) emergency voucher assistance for the protection of victims of domestic violence, dating violence, sexual assault, or stalking.

Subject only to the availability of sufficient amounts provided in appropriation Acts, the Secretary shall provide tenant-based rental assistance to replace all dwelling units that cease to be available as assisted housing as a result of clause (i), (ii), (v), (vi), (vii), (viii), or (x).

"(2) ALLOCATION OF RENEWAL FUNDING AMONG PUBLIC HOUSING AGENCIES.—

"(A) From amounts appropriated for each year pursuant to paragraph (1)(A), the Secretary shall provide renewal funding for each public housing agency—

"(i) based on leasing and cost data from the preceding calendar year, as adjusted by an annual adjustment factor to be established by the Secretary, which shall be established using the smallest geographical areas for which data on changes in rental costs are annually available;

"(ii) by making any adjustments necessary to provide for the first-time renewal of vouchers funded under paragraph (1)(B);

"(iii) by making any adjustments necessary for full year funding of vouchers ported in the prior calendar year under subsection (r)(2); and

"(iv) by making such other adjustments as the Secretary considers appropriate, including adjustments necessary to address changes in voucher utilization rates and voucher costs related to natural and other major disasters.

"(B) LEASING AND COST DATA.—For purposes of subparagraph (A)(i), leasing and cost data shall be calculated annually by using the average for the preceding calendar year. Such leasing and cost data shall be adjusted to include vouchers that were set aside under a commitment to provide project-based assistance under subsection (o)(13) and to exclude amounts funded through advances under paragraph (3). Such leasing and cost data shall not include funds not appropriated for tenant-based assistance under section 8(o), unless the agency's funding was prorated in the prior year and the agency used other funds to maintain vouchers in use.

"(C) OVERLEASING.—For the purpose of determining allocations under subsection (A)(i), the leasing rate calculated for the prior calendar year may exceed an agency's authorized voucher level, except that such calculation in 2009 shall not include amounts resulting from a leasing rate in excess of 103 percent of an agency's authorized vouchers in 2008 which results from the use of accumulated amounts, as referred to in paragraph (4)(A).

"(D) MOVING TO WORK; HOUSING INNOVATION PROGRAM.—Notwithstanding subparagraphs (A) and (B), each public housing agency participating at any time in the moving to work demonstration under section 204 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1996 (42 U.S.C. 1437f note) or in the housing innovation program under section 36 of this Act shall be funded pursuant to its agreement under such program and shall be subject to any pro rata adjustment made under subparagraph (E)(i).

"(E) PRO RATA ALLOCATION.—

"(i) INSUFFICIENT FUNDS.—To the extent that amounts made available for a fiscal year are not sufficient to provide each public housing agency with the full allocation for the agency determined pursuant to subparagraphs (A) and (D), the Secretary shall reduce such allocation for each agency on a pro rata basis, except that renewal funding of enhanced vouchers under section 8(t) shall not be subject to such proration.

"(ii) EXCESS FUNDS.—To the extent that amounts made available for a fiscal year exceed the amount necessary to provide each housing agency with the full allocation for the agency determined pursuant to subparagraphs (A) and (D), such excess amounts shall be used for the purposes specified in subparagraphs (B) and (C) of paragraph (4).

"(F) PROMPT FUNDING ALLOCATION.—The Secretary shall allocate all funds under this subsection for each year before the latter of (i) February 15, or (ii) the expiration of the 45-day period beginning upon the enactment of the appropriations Act funding such renewals.

"(3) ADVANCES.—

"(A) AUTHORITY.—During the last 3 months of each calendar year, the Secretary shall provide amounts to any public housing agency, at the request of the agency, in an amount up to two percent of the allocation for the agency for such calendar year, subject to subparagraph (C).

"(B) USE.—Amounts advanced under subparagraph (A) may be used to pay for additional voucher costs, including costs related to temporary overleasing.

"(C) USE OF PRIOR YEAR AMOUNTS.—During the last 3 months of a calendar year, if amounts previously provided to a public housing agency for tenant-based assistance for such year or for previous years remain unobligated and available to the agency—

"(i) the agency shall exhaust such amounts to cover any additional voucher costs under subparagraph (B) before amounts advanced under subparagraph (A) may be so used; and

"(ii) the amount that may be advanced under subparagraph (A) to the agency shall be reduced by an amount equal to the total of such previously provided and unobligated amounts.

"(D) REPAYMENT.—Amounts advanced under subparagraph (A) in a calendar year shall be repaid to the Secretary in the subsequent calendar year by reducing the amounts made available for such agency for such subsequent calendar year pursuant to allocation under paragraph (2) by an amount equal to the amount so advanced to the agency.

"(4) RECAPTURE.—

"(A) IN GENERAL.—The Secretary shall recapture, from amounts provided under the annual contributions contract for a public housing agency for a calendar year, all accumulated amounts allocated under paragraph (2) and from previous years that are unused by the agency at the end of each calendar year except—

"(i) with respect to the recapture under this subparagraph at the end of 2007, an amount equal to one twelfth the amount allocated to the public housing agency for such year pursuant to paragraph (2)(A); and

"(ii) with respect to the recapture under this subparagraph at the end of each of 2008, 2009, 2010, and 2011, an amount equal to 5 percent of such amount allocated to the agency for such year. Notwithstanding any other provision of law, each public housing agency may retain all amounts not authorized to be recaptured under this subparagraph, and may use such amounts for all authorized purposes.

"(B) REALLOCATION.—Not later than May 1 of each calendar year, the Secretary shall—

"(i) calculate the aggregate unused amounts for the preceding year recaptured pursuant to subparagraph (A);

"(ii) set aside and make available such amounts as the Secretary considers appropriate to reimburse public housing agencies for increased costs related to portability and family self-sufficiency activities during such year; and

"(iii) reallocate all remaining amounts among public housing agencies, with priority given based on the extent to which an agency has utilized the amount allocated under paragraph (2) for the agency to serve eligible families.

"(C) USE.—Amounts reallocated to a public housing agency pursuant to subparagraph (B)(iii) may be used only to increase voucher leasing rates as provided under paragraph (2)(C).".

(b) ABSORPTION OF VOUCHERS FROM OTHER AGENCIES.—Section 8(r)(2) of the United States Housing Act of 1937 (42 U.S.C. 1437f(r)(2)) is amended by adding after the period at the end the following: "The agency shall absorb the family into its program for voucher assistance under this section and shall have priority to receive additional funding from the Secretary for the housing assistance provided for such family from amounts made available pursuant to subsection (dd)(4)(B)."

(c) VOUCHERS FOR PERSONS WITH DISABILITIES.—The Secretary of Housing and Urban Development shall develop and issue, to public housing agencies that received voucher assistance under section 8(o) for non-elderly disabled families pursuant to appropriations Acts for fiscal years 1997 through 2002, guidance to ensure that, to the maximum extent practicable, such vouchers continue to be provided upon turnover to qualified non-elderly disabled families.

SEC. 7. ADMINISTRATIVE FEES.

(a) IN GENERAL.—Section 8(q) of the United States Housing Act of 1937 (42 U.S.C. 1437f(q)) is amended—

(1) in paragraph (1), by striking subparagraphs (B) and (C) and inserting the following new subparagraphs:

"(B) CALCULATION.—The fee under this subsection shall—

"(i) be payable to each public housing agency for each month for which a dwelling unit is covered by an assistance contract;

"(ii) until superseded through subsequent rulemaking, be based on the per-unit fee payable to the agency in fiscal year 2003, updated for each subsequent year as specified in subsection (iv);

"(iii) include an amount for the cost of issuing voucher to new participants;

"(iv) be updated each year using an index of changes in wage data or other objectively measurable data that reflect the costs of admin-

istering the program for such assistance, as determined by the Secretary; and

"(v) include an amount for the cost of family self-sufficiency coordinators, as provided in section 23(h)(1).

"(C) PUBLICATION.—The Secretary shall cause to be published in the Federal Register the fee rate for each geographic area."; and

(2) in paragraph (4), by striking "1999" and inserting "2007".

(b) ADMINISTRATIVE FEES FOR FAMILY SELF-SUFFICIENCY PROGRAM COSTS.—Subsection (h) of section 23 of the United States Housing Act of 1937 (42 U.S.C. 1437u(h)) is amended by striking paragraph (1) and inserting the following new paragraph:

"(1) SECTION 8 FEES.—

"(A) IN GENERAL.—The Secretary shall establish a fee under section 8(q) for the costs incurred in administering the self-sufficiency program under this section to assist families receiving voucher assistance through section 8(o).

"(B) ELIGIBILITY FOR FEE.—The fee shall provide funding for family self-sufficiency coordinators as follows:

"(i) BASE FEE.—A public housing agency serving 25 or more participants in the family self-sufficiency program under this section shall receive a fee equal to the costs of employing one full-time family self-sufficiency coordinator. An agency serving fewer than 25 such participants shall receive a prorated fee.

"(ii) ADDITIONAL FEE.—An agency that meets minimum performance standards shall receive an additional fee sufficient to cover the costs of employing a second family self-sufficiency coordinator if the agency has 75 or more participating families, and a third such coordinator if it has 125 or more participating families.

"(iii) PREVIOUSLY FUNDED AGENCIES.—An agency that received funding from the Department of Housing and Urban Development for more than three such coordinators in any of fiscal years 1998 through 2007 shall receive funding for the highest number of coordinators funded in a single fiscal year during that period, provided they meet applicable size and performance standards.

"(iv) INITIAL YEAR.—For the first year in which a public housing agency exercises its right to develop an family self-sufficiency program for its residents, it shall be entitled to funding to cover the costs of up to one family self-sufficiency coordinator, based on the size specified in its action plan for such program.

"(v) STATE AND REGIONAL AGENCIES.—For purposes of calculating the family self-sufficiency portion of the administrative fee under this subparagraph, each administratively distinct part of a State or regional public housing agency shall be treated as a separate agency.

"(vi) DETERMINATION OF NUMBER OF COORDINATORS.—In determining whether a public housing agency meets a specific threshold for funding pursuant to this paragraph, the number of participants being served by the agency in its family self-sufficiency program shall be considered to be the average number of families enrolled in such agency's program during the course of the most recent fiscal year for which the Department of Housing and Urban Development has data.

"(C) PRORATION.—If insufficient funds are available in any fiscal year to fund all of the coordinators authorized under this section, the first priority shall be given to funding one coordinator at each agency with an existing family self-sufficiency program. The remaining funds shall be prorated based on the number of remaining coordinators to which each agency is entitled under this subparagraph.

"(D) RECAPTURE.—Any fees allocated under this subparagraph by the Secretary in a fiscal year that have not been spent by the end of the subsequent fiscal year shall be recaptured by the Secretary and shall be available for providing additional fees pursuant to subparagraph (B)(ii).

"(E) PERFORMANCE STANDARDS.—Within six months after the date of the enactment of this paragraph, the Secretary shall publish a proposed rule specifying the performance standards applicable to funding under clauses (ii) and (iii) of subparagraph (B). Such standards shall include requirements applicable to the leveraging of in-kind services and other resources to support the goals of the family self-sufficiency program.

"(F) DATA COLLECTION.—Public housing agencies receiving funding under this paragraph shall collect and report to the Secretary, in such manner as

the Secretary shall require, information on the performance of their family self-sufficiency programs.

"(G) EVALUATION.— The Secretary shall conduct a formal and scientific evaluation of the effectiveness of well-run family self-sufficiency programs, using random assignment of participants to the extent practicable. Not later than the expiration of the 4-year period beginning upon the enactment of this paragraph, the Secretary shall submit an interim evaluation report to the Congress. Not later than the expiration of the 8-year period beginning upon such enactment, the Secretary shall submit a final evaluation report to the Congress. There is authorized to be appropriated $10,000,000 to carry out the evaluation under this subparagraph.

"(H) INCENTIVES FOR INNOVATION AND HIGH PERFORMANCE.—The Secretary may reserve up to 10 percent of the amounts made available for administrative fees under this paragraph to provide support to or reward family self-sufficiency programs that are particularly innovative or highly successful in achieving the goals of the program.".

(c) REPEAL.—Section 202 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997 (42 U.S.C. 1437f note; Public Law 104–204; 110 Stat. 2893) is hereby repealed.

SEC. 8. HOMEOWNERSHIP.

(a) SECTION 8 HOMEOWNERSHIP DOWNPAYMENT PROGRAM.—Section 8(y)(7) of the United States Housing Act of 1937 (42 U.S.C. 1437f(y)(7)) is amended by striking subparagraphs (A) and (B) and inserting the following new subparagraphs:

"(A) IN GENERAL.—Subject to the provisions of this paragraph, in the case of a family on whose behalf rental assistance under section 8(o) has been provided for a period of not less than 12 months prior to the date of receipt of downpayment assistance under this paragraph, a public housing agency may, in lieu of providing monthly assistance payments under this subsection on behalf of a family eligible for such assistance and at the discretion of the agency, provide a downpayment assistance grant in accordance with subparagraph (B).

"(B) GRANT REQUIREMENTS.—A downpayment assistance grant under this paragraph—

"(i) shall be used by the family only as a contribution toward the downpayment and reasonable and customary closing costs required in connection with the purchase of a home;

"(ii) shall be in the form of a single one-time grant; and

"(iii) may not exceed $10,000.

"(C) NO EFFECT ON OBTAINING OUTSIDE SOURCES FOR DOWNPAYMENT ASSISTANCE.—This Act may not be construed to prohibit a public housing agency from providing downpayment assistance to families from sources other than a grant provided under this Act, or as determined by the public housing agency.".

(b) USE OF VOUCHERS FOR MANUFACTURED HOUSING.—Section 8(o)(12) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(12) is amended—

(1) in subparagraph (A), by striking the period at the end of the first sentence and all that follows through "of" in the second sentence and inserting "and rents"; and

(2) in subparagraph (B)—

(A) in clause (i), by striking "the rent" and all that follows and inserting the following: "rent shall mean the sum of the monthly payments made by a family assisted under this paragraph to amortize the cost of purchasing the manufactured home, including any required insurance and property taxes, the monthly amount allowed for tenant-paid utilities, and the monthly rent charged for the real property on which the manufactured home is located, including monthly management and maintenance charges.";

(B) by striking clause (ii); and

(C) in clause (iii)—

(i) by inserting after the period at the end the following: "If the amount of the monthly assistance payment for a family exceeds the monthly rent charged for the real property on which the manufactured home is located, including monthly management and maintenance charges, a public housing agency may pay the remainder to the family, lender or utility company, or may choose to make a single payment to the family for the entire monthly assistance amount."; and

(ii) by redesignating such clause as clause (ii).

SEC. 9. PHA REPORTING OF RENT PAYMENTS TO CREDIT REPORTING AGENCIES.

(a) IN GENERAL.—Section 3 of the United States Housing Act of 1937 (42 U.S.C. 1437a), as amended by the preceding provisions of this Act, is further amended by adding at the end the following new subsection:

"(e) PHA REPORTING OF RENT PAYMENTS TO CREDIT REPORTING AGENCIES.—

"(1) AUTHORITY.—To the extent that a family receiving tenant-based housing choice vouchers under section 8 by a public housing agency agrees in writing to reporting under this subsection, the public housing agency may submit to consumer reporting agencies described in section 603(p) of the Fair Credit Reporting Act (15 U.S.C. 1681a) information regarding the past rent payment history of the family with respect to the dwelling unit for which such assistance is provided.

"(2) FORMAT.—The Secretary, after consultation with consumer reporting agencies referred in paragraph (1), shall establish a system and format to be used by public housing agencies for reporting of information under such paragraph that provides such information in a format and manner that is similar to other credit information submitted to such consumer reporting agencies and is usable by such agencies.".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 10. PERFORMANCE ASSESSMENTS.

Section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)) is amended by adding at the end the following new paragraph:

"(21) PERFORMANCE ASSESSMENTS.—

"(A) ESTABLISHMENT.—The Secretary shall, by regulation, establish standards and procedures for assessing the performance of public housing agencies in carrying out the programs for tenant-based rental assistance under this subsection and for homeownership assistance under subsection (y).

"(B) CONTENTS.—The standards and procedures under this paragraph shall provide for assessment of the performance of public housing agencies in the following areas:

"(i) Quality of dwelling units obtained using such assistance.

"(ii) Extent of utilization of assistance amounts provided to the agency and of authorized vouchers.

"(iii) Timeliness and accuracy of reporting by the agency to the Secretary.

"(iv) Effectiveness in carrying out policies to achieve deconcentration of poverty.

"(v) Reasonableness of rent burdens, consistent with public housing agency responsibilities under section 8(o)(1)(E)(iii).

"(vi) Accurate rent calculations and subsidy payments.

"(vii) Effectiveness in carrying out family self-sufficiency activities.

"(viii) Timeliness of actions related to landlord participation

"(ix) Such other areas as the Secretary considers appropriate.

"(C) PERIODIC ASSESSMENT.—Using the standards and procedures established under this paragraph, the Secretary shall conduct an assessment of the performance of each public housing agency carrying out a program referred to in subparagraph (A) and shall submit a report to the Congress regarding the results of each such assessment.".

SEC. 11. PHA PROJECT-BASED ASSISTANCE.

Section 8(o)(13) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(13)) is amended—

(1) by striking subparagraph (B) and inserting the following new subparagraph:

"(B) PERCENTAGE LIMITATION.—

"(i) IN GENERAL.—Subject to clause (ii), not more than 25 percent of the funding available for tenant-based assistance under this section that is administered by the agency may be attached to structures pursuant to this paragraph.

"(ii) EXCEPTION.—An agency may attach up to an additional 5 percent of the funding available for tenant-based assistance under this section to structures pursuant to this paragraph for dwelling units that house individuals and families that meet the definition of homeless under section 103 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11302).";

(2) by striking subparagraph (D) and inserting the following new subparagraph:

"(D) INCOME MIXING REQUIREMENT.—

"(i) IN GENERAL.—Except as provided in clause (ii), not more than the greater of 25 dwelling units or 25 percent of the dwelling units in any project may be assisted under a housing assistance payment contract for project-based assistance pursuant to this paragraph. For purposes of this subparagraph, the term 'project' means a single building, multiple contiguous buildings, or multiple buildings on contiguous parcels of land.

"(ii) EXCEPTIONS.—

"(I) CERTAIN HOUSING.—The limitation under clause (i) shall not apply in the case of assistance under a contract for housing consisting of single family properties, or for dwelling units that are specifically made available for households comprised of elderly families, disabled families, and families receiving supportive services. For purposes of the preceding sentence, the term 'single family properties' means buildings with no more than four dwelling units.

"(II) CERTAIN AREAS.—With respect to areas in which fewer than 75 percent of families issued vouchers become participants in the program, the public housing agency has established the payment standard at 110 percent of the fair market rent for all census tracts in the area for the previous six months, and the public housing agency grants an automatic extension of 90 days (or longer) to families with vouchers who are attempting to find housing, clause (i) shall be applied by substituting '50 percent' for '25 percent'.";

(3) in the first sentence of subparagraph (F), by striking "10 years" and inserting "15 years";

(4) in subparagraph (G)—

(A) by inserting after the period at the end of the first sentence the following: "Such contract may, at the election of the public housing agency and the owner of the structure, specify that such contract shall be extended for renewal terms of up to 15 years each, if the agency makes the determination required by this subparagraph and the owner is in compliance with the terms of the contract."; and

(B) by adding at the end the following: "A public housing agency may agree to enter into such a contract at the time it enters into the initial agreement for a housing assistance payment contract or at any time thereafter that is before the expiration of the housing assistance payment contract.";

(5) in subparagraph (H), by inserting before the period at the end of the first sentence the following: ", except that in the case of a contract unit that has been allocated low-income housing tax credits and for which the rent limitation pursuant to such section 42 is less than the amount that would otherwise be permitted under this subparagraph, the rent for such unit may, in the sole discretion of a public housing agency, be established at the higher section 8 rent, subject only to paragraph (10)(A)";

(6) in subparagraph (I)(i), by inserting before the semicolon the following: ", except that the contract may provide that the maximum rent permitted for a dwelling unit shall not be less than the initial rent for the dwelling unit under the initial housing assistance payments contract covering the unit";

(7) in subparagraph (J)—

(A) by striking the fifth and sixth sentences and inserting the following: "A public housing agency may establish and utilize procedures for maintaining site-based waiting lists under which applicants may apply directly at, or otherwise designate to the public housing agency, the project or projects in which they seek to reside, except that all applicants on the waiting list of an agency for assistance under this subsection shall be permitted to place their names on such separate list. All such procedures shall comply with title VI of the Civil Rights Act of 1964, the Fair Housing Act, and other applicable civil rights laws. The owner or manager of a structure assisted under this paragraph shall not admit any family to a dwelling unit assisted under a contract pursuant to this paragraph other than a family referred by the public housing agency from its waiting list, or a family on a site-based waiting list that complies with the requirements of this subparagraph. A public housing agency shall fully disclose to each applicant each option in the selection of a project in which to reside that is available to the applicant."; and

(B) by inserting after the third sentence the following new sentence: "Any family who resides in a dwelling unit proposed to be assisted under this paragraph, or in a unit to be replaced by a proposed unit to be assisted

under this paragraph shall be given an absolute preference for selection for placement in the proposed unit, if the family is otherwise eligible for assistance under this subsection."; and

(8) by adding at the end the following new subparagraphs:

"(L) USE IN COOPERATIVE HOUSING AND ELEVATOR BUILDINGS.—A public housing agency may enter into a housing assistance payments contract under this paragraph with respect to—

"(i) dwelling units in cooperative housing;

"(ii) notwithstanding subsection (c), dwelling units in a high-rise elevator project, including such a project that is occupied by families with children, without review and approval of the contract by the Secretary.

"(M) REVIEWS.—

"(i) SUBSIDY LAYERING.—A subsidy layering review in accordance with section 102(d) of the Department of Housing and Urban Development Reform Act of 1989 (42 U.S.C. 3545(d)) shall not be required for assistance under this subparagraph in the case of a housing assistance payments contract for an existing structure, or if a subsidy layering review has been conducted by the applicable State or local agency.

"(ii) ENVIRONMENTAL REVIEW.—A public housing agency shall not be required to undertake any environmental review before entering into a housing assistance payments contract under this paragraph for an existing structure, except to the extent such a review is otherwise required by law or regulation.

"(N) LEASES AND TENANCY.—Assistance provided under this paragraph shall be subject to the provisions of paragraph (7), except that subparagraph (A) of such paragraph shall not apply.".

SEC. 12. RENT BURDENS.

(a) REVIEWS.—Section 8(o)(1) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(1)) is amended by striking subparagraph (E) and inserting the following new subparagraph:

"(E) REVIEWS.—

"(i) RENT BURDENS.—The Secretary shall monitor rent burdens and submit a report to the Congress annually on the percentage of families assisted under this subsection, occupying dwelling units of any size, that pay more than 30 percent of their adjusted incomes for rent and such percentage that pay more than 40 percent of their adjusted incomes for rent. Using information regularly reported by public housing agencies, the Secretary shall provide public housing agencies, on an annual basis, a report with the information described in the first sentence of this clause, and may require a public housing agency to modify a payment standard that results in a significant percentage of families assisted under this subsection, occupying dwelling units of any size, paying more than 30 percent of their adjusted incomes for rent.

"(ii) CONCENTRATION OF POVERTY.—The Secretary shall submit a report to the Congress annually on the degree to which families assisted under this subsection in each metropolitan area are clustered in lower rent, higher poverty areas and how, and the extent to which, greater geographic distribution of such assisted families could be achieved, including by increasing payment standards for particular communities within such metropolitan areas.

"(iii) PUBLIC HOUSING AGENCY RESPONSIBILITIES.—Each public housing agency shall make publicly available the information on rent burdens provided by the Secretary pursuant to clause (i), and, for agencies located in metropolitan areas, the information on concentration provided by the Secretary pursuant to clause (ii). If the percentage of families paying more than 30 percent or 40 percent of income exceeds the national average for either of such categories, as reported pursuant to clause (i), the public housing agency shall adjust the payment standard to eliminate excessive rent burdens within a reasonable time period or explain its reasons for not making such adjustment. The Secretary may not deny the request of a public housing agency to set a payment standard up to 120 percent of the fair market rent to remedy rent burdens in excess of the national average or undue concentration of families assisted under this subsection in lower rent, higher poverty sections of a metropolitan area except on the basis that an agency has not demonstrated that its request meets these criteria. If a request of a public housing agency has not been denied or approved with 45 days

after the request is made, the request shall be considered to have been approved.".

(b) PUBLIC HOUSING AGENCY PLAN.—Section 5A(d)(4) of the United States Housing Act of 1937 (42 U.S.C. 1437c–1(d)(4)) is amended by inserting before the period at the end the following: ", including the report with respect to the agency furnished by the Secretary pursuant to section 8(o)(1)(E) concerning rent burdens and, if applicable, geographic concentration of voucher holders, any changes in rent or other policies the public housing agency is making to address excessive rent burdens or concentration, and if the public housing agency is not adjusting its payment standard, its reasons for not doing so".

(c) RENT BURDENS FOR PERSONS WITH DISABILITIES.—Subparagraph (D) of section 8(o)(1) is amended by inserting before the period at the end the following: ", except that a public housing agency may establish a payment standard of not more than 120 percent of the fair market rent where necessary as a reasonable accommodation for a person with a disability, without approval of the Secretary. A public housing agency may seek approval of the Secretary to use a payment standard greater than 120 percent of the fair market rent as a reasonable accommodation for a person with a disability".

SEC. 13. ESTABLISHMENT OF FAIR MARKET RENT.

(a) IN GENERAL.—Paragraph (1) of section 8(c) of the United States Housing Act of 1937 (42 U.S.C. 1437f(c)(1)) is amended—

(1) by inserting "(A)" after the paragraph designation;

(2) by striking the seventh, eighth, and ninth sentences; and

(3) by adding at the end the following:

"(B)(i) The Secretary shall endeavor to define market areas for purposes of this paragraph in a manner that results in fair market rentals that are adequate to cover typical rental costs of units suitable for occupancy by persons assisted under this section in as wide a range of communities as is feasible, including communities with low poverty rates.

"(ii) The Secretary at a minimum shall define a separate market area for each—

"(I) metropolitan city, as such term is defined in section 102(a) of the Housing and Community Development Act of 1974 (42 U.S.C. 5302(a)), with more than 40,000 rental dwelling units; and

"(II) urban county or portion of an urban county, as such term is defined in such section 102(a), located outside the boundaries of any metropolitan city specified in subclause (I).

"(iii) The Secretary shall, at the request of one or more public housing agencies, establish a separate market area for part or all of the area under the jurisdiction of such agencies, if—

"(I) the requested market area contains at least 20,000 rental dwelling units;

"(II) the areas contained in the requested market area are geographically contiguous and share similar housing market characteristics;

"(III) adequate data are available to establish a reliable fair market rental for the requested market area, and for the remainder of the market area in which it is currently located; and

"(IV) establishing the requested market area would raise or lower the fair market rental by 10 percent or more at the time the requested market area is established.

For purposes of subclause (III), data for an area shall be considered adequate if they are sufficient to establish from time to time a reliable benchmark fair market rental based primarily on data from that area, whether or not those data need to be supplemented with data from a larger area for purposes of annual updates.

"(iv) The Secretary shall not reduce the fair market rental in a market area as a result of a change in the percentile of the distribution of market rents used to establish the fair market rental.".

(b) PAYMENT STANDARD.—Subparagraph (B) of section 8(o)(1) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(1)(B)) is amended by inserting before the period at the end the following: ", except that no public housing agency shall be required as a result of a reduction in the fair market rental to reduce the payment standard applied to a family continuing to reside in a unit for which the family was receiving assistance under this section at the time the fair market rental was reduced".

SEC. 14. SCREENING OF APPLICANTS.

Subparagraph (B) of section 8(o)(6) of the United States Housing Act of 1937 (1437f(o)(6)(B)) is amended by inserting after the period at the end of the second sentence the following: "A public housing agency's elective screening shall be limited to criteria that are directly related to an applicant's ability to fulfill the obligations of an assisted lease and shall consider mitigating circumstances related to such ap-

plicant. Any applicant or participant determined to be ineligible for admission or continued participation to the program shall be notified of the basis for such determination and provided, within a reasonable time after the determination, an opportunity for an informal hearing on such determination at which mitigating circumstances, including remedial conduct subsequent to the notice, shall be considered.".

SEC. 15. ENHANCED VOUCHERS.

Subparagraph (B) of section 8(t)(1) of the United States Housing Act of 1937 (42 U.S.C. 1437f(t)(1)(B)) is amended by inserting after "eligibility event for the project," the following: "regardless of unit and family size standards normally used by the administering agency (except that tenants may be required to move to units of appropriate size if available on the premises),".

SEC. 16. HOUSING INNOVATION PROGRAM.

(a) ESTABLISHMENT OF PROGRAM.—Title I of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.) is amended by adding at the end the following new section:

"SEC. 36. HOUSING INNOVATION PROGRAM.

"(a) PURPOSE.—The purpose of the program under this section is to provide public housing agencies and the Secretary the flexibility to design and evaluate innovative approaches to providing housing assistance that—

"(1) increase housing opportunities for low-income families, including preventing homelessness, rehabilitate or replace housing at risk of physical deterioration or obsolescence, and develop additional affordable housing;

"(2) leverage other Federal, State, and local funding sources, including the low-income housing tax credit program, to expand and preserve affordable housing opportunities, including public housing;

"(3) provide financial incentives and other support mechanisms to families to obtain employment and increase earned income;

"(4) test alternative rent-setting policies to determine whether rent determinations can be simplified and administrative cost savings can be realized while protecting extremely low- and very low-income families from increased rent burdens;

"(5) are subject to rigorous evaluation to test the effectiveness of such innovative approaches; and

"(6) are developed with the support of the local community and with the substantial participation of affected residents.

"(b) PROGRAM AUTHORITY.—

"(1) SCOPE.—The Secretary shall carry out a housing innovation program under this section under which the Secretary may designate not more than 60 public housing agencies to participate, at any one time, in the housing innovation program, in accordance with subsections (c) and (d), except that, in addition to such 60 agencies, the Secretary may designate an additional 20 agencies to participate in the program under the terms of subsection (h).

"(2) DURATION.—The Secretary may carry out the housing innovation program under this section only during the 10-year period beginning on the date of the enactment of the Section 8 Voucher Reform Act of 2007.

"(c) PARTICIPATION OF EXISTING MTW AGENCIES.—

"(1) EXISTING MTW AGENCIES.—Subject to the requirements of paragraph (2), all existing MTW agencies shall be designated to participate in the program.

"(2) CONDITIONS OF PARTICIPATION.—The Secretary shall approve and transfer into the housing innovation program under this section each existing MTW agency that the Secretary determines is not in default under such agreement and which the Secretary also determines is meeting the goals and objectives of its moving to work plan. Each such agency shall, within two years after the date of the enactment of the Section 8 Voucher Reform Act of 2007, make changes to its policies that were implemented before such date of enactment in order to comply with the requirements of this section.

"(d) ADDITIONAL AGENCIES.—

"(1) PROPOSALS; SELECTION PROCESS.—In addition to agencies participating in the program pursuant to subsection (c), the Secretary shall, within 18 months after such date of enactment, select public housing agencies to participate in the program pursuant to a competitive process that meets the following requirements:

"(A) Any public housing agency may be selected to participate in the program, except that not more than 5 agencies that are near-troubled under the public housing assessment system and/or section 8 management assessment program may be selected, and except that any agency for which the

Secretary has hired an alternative management entity for such agency or has taken possession of all or any part of such agency's public housing program shall not be eligible for participation. Any near-troubled public housing agency participating in the program shall remain subject to the requirements of this Act governing tenant rent contributions, eligibility, and continued participation, and may not adopt policies described in subsection (e)(4) (relating to rents and requirements for continued occupation and participation).

"(B) The process provides, to the extent possible based on eligible agencies submitting applications and taking into account existing MTW agencies participating pursuant to subsection (c), for representation among agencies selected of agencies having various characteristics, including both large and small agencies, agencies serving urban, suburban, and rural areas, and agencies in various geographical regions throughout the United States, and which may include the selection of agencies that only administer the voucher program under section 8(o).

"(C) Any agency submitting a proposal under this paragraph shall have provided notice to residents and the local community, not later than 30 days before the first of the two public meetings required under subparagraph (D).

"(D) The agency submitting a proposal shall hold two public meetings to receive comments on the agency's proposed application, on the implications of changes under the proposal, and the possible impact on residents.

"(E) The process includes criteria for selection, as follows:

"(i) The extent to which the proposal generally identifies existing rules and regulations that impede achievement of the goals and objectives of the proposal and an explanation of why participation in the program is necessary to achieve such goals and objectives.

"(ii) The extent of commitment and funding for carrying out the proposal by local government agencies and nonprofit organizations, including the provision of additional funding and other services, and the extent of support for the proposal by residents, resident advisory boards, and members of the local community.

"(iii) The extent to which the agency has a successful history of implementing strategies similar to those set forth in the agency's proposal.

"(iv) Whether the proposal pursues a priority strategy as specified in paragraph (2). In the case of any proposal utilizing a such a priority strategy, the proposal shall be evaluated based upon—

"(I) the extent to which the proposal is likely to achieve the objectives of developing additional housing dwelling units affordable to extremely low-, very low-, and low-income families, and preserving, rehabilitating, or modernizing existing public housing dwelling units; or

"(II) the extent to which the proposal is likely to achieve the purposes of moving families toward economic self-sufficiency and increasing employment rates and wages of families without imposing a significant rent burden on the lowest income families, as well as such of the additional purposes as may be identified in the proposal, which may include expanding housing choices utilizing coordinators for the family self-sufficiency program under section 23, making more effective use of program funds, and improving program management.

"(v) Such other factors as the Secretary may provide, in consultation with participating agencies, program stakeholders, and any entity conducting evaluations pursuant to subsection (f).

"(2) PRIORITY STRATEGIES.—For purposes of paragraph (1)(E)(iv), the following are priority strategies:

"(A) DEVELOPMENT, REHABILITATION, AND FINANCING.—A strategy of development of additional affordable housing dwelling units and/or a strategy for preservation and physical rehabilitation and modernization of existing public housing dwelling units. Such strategies may include innovative financing proposals, leveraging of non-public housing funds (including the low-income housing tax credit program), and combining of funds for assistance under sections 8 and 9. Each such proposal shall include detailed information about the strategies expected to be employed, an explanation of why participation in the program is necessary to employ such strategies, and numerical goals regarding the number of dwelling units to be developed, preserved, or rehabilitated.

"(B) RENT REFORMS.—A strategy to implement rent reforms, which shall be designed to help families increase their earned income through rent and other work incentives, and may also test the effectiveness of achieving administrative cost savings without increased rent burdens for extremely low- and very low-income families.

"(3) CONTRACT AMENDMENT.—After selecting agencies under this subsection, the Secretary shall promptly amend the applicable annual contributions contracts of such agencies to provide that—

"(A) subject to subparagraph (B), such agencies may implement any policies and activities that are not inconsistent with this section without specifying such policies and activities in such amendment and without negotiating or entering into any other agreements with the Secretary specifying such policies and activities; and

"(B) the activities to be implemented by an agency under the program in a given year shall be described in and subject to the requirements of the annual plan under subsection (e)(8). Upon the enactment of this section, any agency which has participated in the Moving to Work demonstration may, at its option, be subject to the provisions of this paragraph in lieu of any other agreement required by the Secretary for participation in the program.

"(4) MAINTAINING PARTICIPATION RATE.—If, at any time after the initial selection period under paragraph (1), the number of public housing agencies participating in the program under this section is fewer than 40, the Secretary shall promptly solicit applications from and select public housing agencies to participate in the program under the terms and conditions for application and selection provided in this section to increase the number of agencies participating in the program to 40.

"(e) PROGRAM REQUIREMENTS.—

"(1) PROGRAM FUNDS.—

"(A) IN GENERAL.—To carry out a housing innovation program under this section, the participating agency may use amounts provided to the agency from the Operating Fund under section 9(e), amounts provided to the agency from the Capital Fund under section 9(d), and amounts provided to the agency for voucher assistance under section 8(o). Such program funds may be used for any activities that are authorized by sections 8(o) or 9, or for other activities that are not inconsistent with this section, which shall include, without limitation—

"(i) providing capital and operating assistance, and financing for housing previously developed or operated pursuant to a contract between the Secretary and such agency;

"(ii) the acquisition, new construction, rehabilitation, financing, and provision of capital or operating assistance for low-income housing (including housing other than public housing) and related facilities, which may be for terms exceeding the term of the program under this section in order to secure other financing for such housing;

"(iii) costs of site acquisition and improvement, providing utility services, demolition, planning, and administration of activities under this paragraph;

"(iv) housing counseling for low-income families in connection with rental or homeownership assistance provided under the program;

"(v) safety, security, law enforcement, and anticrime activities appropriate to protect and support families assisted under the program;

"(vi) tenant-based rental assistance, which may include the project-basing of such assistance; and

"(vii) appropriate and reasonable financial assistance that is required to preserve low-income housing otherwise assisted under programs administered by the Secretary or under State or local low-income housing programs.

"(B) COMBINING FUNDS.—Notwithstanding any other provision of law, a participating agency may combine and use program funds for any activities authorized under this section, except that a participating agency may use funds provided for assistance under section 8(o) for activities other than those authorized under section 8(o) only if (i) in the calendar year prior to its participation in the program, the agency utilized not less than 95 percent of such funds allocated for that calendar year for such authorized activities or 95 percent of its authorized vouchers, including vouchers ported in to the agency and vouchers ported out; or (ii) after approval to participate in the program, the agency achieves such utilization for a 12-month period. This subparagraph shall not apply to participating agencies ap-

proved by the Secretary to combine funds from sections 8 and 9 of the Act prior to enactment of this section.

"(2) USE OF PROGRAM FUNDS.—In carrying out the housing innovation program under this section, each participating agency shall continue to assist—

"(A) not less than substantially the same number of eligible low-income families under the program as it assisted in the base year for the agency; and

"(B) a comparable mix of families by family size, subject to adjustment to reflect changes in the agency's waiting list, except that the Secretary may approve exceptions to such requirements for up to 3 years based on modernization or redevelopment activities proposed in an annual plan submitted and approved in accordance with paragraph (8).

Determinations with respect to the number of families served shall be adjusted based on any allocation of additional vouchers under section 8(o) and to reflect any change in the percentage of program funds that a participating agency receives compared to the base year.

"(3) RETAINED PROVISIONS.—Notwithstanding any other provision of this section, families receiving assistance under this section shall retain the same rights of judicial review of agency action as they would otherwise have had if the agency were not participating in the program, and each participating agency shall comply with the following provisions of this Act:

"(A) Subsections (a)(2)(A) and (b)(1) of section 16 (relating to targeting for new admissions in the public housing and voucher programs).

"(B) Section 2(b) (relating to tenant representatives on the public housing agency board of directors).

"(C) Section 3(b)(2) (relating to definitions for the terms 'low-income families' and 'very low-income families').

"(D) Section 5(A)(e) (relating to the formation of and consultation with a resident advisory board).

"(E) Sections 6(f)(1) and 8(o)(8)(B) (relating to compliance of units assisted with housing quality standards or other codes).

"(F) Sections 6(c)(3), 6(c)(4)(i), and 8(o)(6)(B) (relating to rights of public housing applicants and existing procedural rights for applicants under section 8(o)).

"(G) Section 6(k) (relating to grievance procedures for public housing tenants) and comparable procedural rights for families assisted under section 8(o).

"(H) Section 6(l) (relating to public housing lease requirements), except that for units assisted both with program funds and low-income housing tax credits, the initial lease term may be less than 12 months if required to conform lease terms with such tax credit requirements.

"(I) Section 7 (relating to designation of housing for elderly and disabled households), except that a participating agency may make such designations(at initial designation or upon renewal) for a term of up to 5 years if the agency includes in its annual plan under paragraph (8) an analysis of the impact of such designations on affected households and such designation is subject to the program evaluation. Any participating agency with a designated housing plan that was approved under the moving to work demonstration may continue to operate under the terms of such plan for a term of 5 years (with an option to renew on the same terms for an additional 5 years) if it includes in its annual plan an analysis of the impact of such designations on affected households and is subject to evaluation under subsection (f).

"(J) Subparagraphs (C) through (E) of section 8(o)(7) (relating to lease requirements and eviction protections for families assisted with tenant-based assistance).

"(K) Subject to paragraph (1)(B) of this subsection, section 8(o)(13)(B) (relating to a percentage limitation on project-based assistance), except that for purposes of this subparagraph such section shall be applied by substituting '50 percent' for '20 percent'.

"(L) Section 8(o)(13)(E) (relating to resident choice for tenants of units with project-based vouchers), except with respect to—

"(i) in the case of agencies participating in the moving to work demonstration, any housing assistance payment contract entered into within 2 years after the enactment of this section;

"(ii) project-based vouchers that replace public housing units;

"(iii) not more than 10 percent of the vouchers available to the participating agency upon entering the housing innovation program under this section; and

"(iv) any project-based voucher program that is subject to evaluation under subsection (f).

"(M) Section 8(r) (relating to portability of voucher assistance), except that a participating agency may receive funding for portability obligations under section 8(dd) in the same manner as other public housing agencies.

"(N) Subsections (a) and (b) of section 12 (relating to payment of prevailing wages).

"(O) Section 18 (relating to demolition and disposition of public housing).

"(4) RENTS AND REQUIREMENTS FOR CONTINUED OCCUPANCY OR PARTICIPATION.—

"(A) BEFORE POLICY CHANGE.—Before adopting any policy pursuant to participation in the housing innovation program under this section that would make a material change to the requirements of this Act regarding tenant rents or contributions, or conditions of continued occupancy or participation, a participating agency shall complete each of the following actions:

"(i) The agency shall conduct an impact analysis of the proposed policy on families the agency is assisting under the program under this section and on applicants on the waiting list, including analysis of the incidence and severity of rent burdens greater than 30 percent of adjusted income on households of various sizes and types and in various income tiers, that would result, if any, without application of the hardship provisions. The analysis with respect to applicants on the waiting list may be limited to demographic data provided by the applicable consolidated plan, information provided by the Secretary, and other generally available information. The proposed policy, including provisions for addressing hardship cases and transition provisions that mitigate the impact of any rent increases or changes in the conditions of continued occupancy or participation, and data from this analysis shall be made available for public inspection for at least 60 days in advance of the public meeting described in clause (ii).

"(ii) The agency shall hold a public meeting regarding the proposed change, including the hardship provisions, which may be combined with a public meeting on the draft annual plan under paragraph (8) or the annual report under paragraph (9).

"(iii) The board of directors or other similar governing body of the agency shall approve the change in public session.

"(iv) The agency shall obtain approval from the Secretary of the annual plan or plan amendment. The Secretary may approve a plan or amendment containing a material change to the requirements of this Act regarding tenant rents or contributions, or conditions of continued occupancy or participation, only if the agency agrees that such policy may be included as part of the national evaluation.

"(B) AFTER POLICY CHANGE.—After adopting a policy described in subparagraph (A), a program agency shall complete each of the following actions:

"(i) The agency shall provide adequate notice to residents, which shall include a description of the changes in the public housing lease or participation agreement that may be required and of the hardship or transition protections offered.

"(ii) In the case of any additional requirements for continued occupancy or participation, the agency shall execute a lease addendum or participation agreement specifying the requirements applicable to both the resident and the agency. A resident may bring a civil action to enforce commitments of the agency made through the lease addendum or participation agreement.

"(iii) The agency shall reassess rent, subsidy level, and policies on program participation no less often than every two years, which shall include preparing a revised impact analysis, and make available to the public the results of such reassessment and impact analysis. The requirement under this clause may be met by sufficiently detailed interim reports, if any, by the national evaluating entity.

"(iv) The agency shall include in the annual report under paragraph (8) information sufficient to describe any hardship requests, including the number and types of requests made, granted, and denied, the use of transition rules, and adverse impacts resulting from changes in rent or continued occupancy policies, including actions taken by the agency to mitigate such impacts and impacts on families no longer assisted under the program.

"(C) APPLICABILITY TO EXISTING MTW AGENCIES.—An existing MTW agency that, before the date of the enactment of this section, implemented material changes to the requirements of this Act regarding tenant rents or contributions, or conditions of continued occupancy or participation, as part of the moving to work demonstration shall not be subject to subparagraph (A) with regard to such previously implemented changes, but shall comply with the requirements of subparagraph (B)(ii) and provide the evaluation and impact analysis required by subparagraph (B)(iii) by the end of the second agency fiscal year ending after such date of enactment.

"(5) PROHIBITION AGAINST DECREASE IN PROGRAM FUNDS.—The amount of program funds a participating agency receives shall not be diminished by its participation in the housing innovation program under this section.

"(6) SUBMISSION OF INFORMATION.—As part of the annual report required under subsection (g)(2), each participating agency shall submit information annually to the Secretary regarding families assisted under the program of the agency and comply with any other data submissions required by the Secretary for purposes of evaluation of the program under this section.

"(7) PUBLIC AND RESIDENT PARTICIPATION.—Each participating agency shall provide opportunities for resident and public participation in the annual plan under paragraph (8), as follows:

"(A) NOTICE TO RESIDENTS.—

"(i) NOTICE.—Each year, the agency shall provide notice to the low-income families it serves under the programs authorized by this section as to the impact of proposed policy changes and program initiatives and of the schedule of resident advisory board and public meetings for the annual plan.

"(ii) MEETING.—The agency shall hold at least one meeting with the resident advisory board (including representatives of recipients of assistance under section 8) to review the annual plan for each year.

"(B) PUBLIC MEETING.—With respect to each annual plan, the agency shall hold at least one annual public meeting to obtain comments on the plan, which may be combined with a meeting to review the annual report. In the case of any agency that administers, in the aggregate, more than 15,000 public housing units and vouchers, the agency shall hold additional meetings in locations that promote attendance by residents and other stakeholders.

"(C) PUBLIC AVAILABILITY.—Before adoption of any annual plan, and not less than 30 days before the public meeting required under subparagraph (A)(ii) with respect to the plan, the agency shall make the proposed annual plan available for public inspection. The annual plan shall be made available for public inspection not less than 30 days before approval by the board of directors (or other similar governing body) of the agency and shall remain publicly available.

"(D) BOARD APPROVAL.—Before submitting an annual plan or annual report to the Secretary, the plan or report, as applicable, shall be approved in a public meeting by the board of directors or other governing body of the agency.

"(8) ANNUAL PLAN.—

"(A) REQUIREMENT.—For each year that a participating agency participates in the housing innovation program under this section, the agency shall submit to the Secretary, in lieu of all other planning requirements, an annual plan under this paragraph.

"(B) CONTENTS.—Each annual plan shall include the following information:

"(i) A list and description of all program initiatives and generally applicable policy changes, including references to affected provisions of law or the implementing regulations affected.

"(ii) A description and comparison of changes under the housing innovation program of the agency from the plan for such program for the preceding year.

"(iii) A description of property redevelopment or portfolio repositioning strategies and proposed changes in policies or uses of funds required to implement such strategies.

"(iv) Documentation of public and resident participation sufficient to comply with the requirements under paragraphs (4) and (7), including a copy of any recommendations submitted in writing by the resident advisory board of the agency and members of the public, a summary of comments, and a description of the manner in which the recommendations were addressed.

"(v) Certifications by the agency that—

"(I) the annual plan will be carried out in conformity with title VI of the Civil Rights Act of 1964, the Fair Housing Act, section 504 of the Rehabilitation Act of 1973, title II of the Americans with Disabilities Act of 1990, and the rules, standards, and policies in the approved plan;

"(II) the agency will affirmatively further fair housing; and

"(III) the agency has complied and will continue to comply with its obligations under the national evaluation.

"(vi) A description of the agency's local asset management strategy for public housing properties, which shall be in lieu of any other asset management, project based management or accounting, or other system of allocating resources and costs to participating agency assets or cost centers that the Secretary may otherwise impose under this Act.

"(C) CHANGES.—If the agency proposes to make material changes in policies or initiatives in the plan during the year covered by the plan, the agency shall consult with the resident advisory board for the agency established pursuant to section 5A(e) and the public regarding such changes before their adoption.

"(D) APPROVAL PROCESS.—

"(i) TIMING.—The Secretary shall review and approve or disapprove each annual plan submitted to the Secretary within 45 days after such submission.

"(ii) STANDARDS FOR DISAPPROVAL.—The Secretary may disapprove a plan only if—

"(I) the Secretary reasonably determines, based on information contained in the annual plan or annual report, that the agency is not in compliance with the requirements of this section;

"(II) the annual plan or most recent annual report is not consistent with other reliable information available to the Secretary; or

"(III) the annual plan or annual report or the agency's activities under the program are not otherwise in accordance with applicable law.

"(iii) FAILURE TO DISAPPROVE.—If a submitted plan is not disapproved within 45 days after submission, the plan shall be considered to be approved for purposes of this section. The preceding sentence shall not preclude judicial review regarding such compliance pursuant to chapter 7 of title 5, United States Code, or an action regarding such compliance under section 1979 of the Revised Statutes of the United States (42 U.S.C. 1983).

"(f) EVALUATION OF PERFORMANCE.—

"(1) IN GENERAL.—Not later than the expiration of the one-year period that begins upon selection under subsection (d) of at least half of the number of agencies able to participate in the program under this section, the Secretary shall conduct detailed evaluations of all public housing agencies participating in the program under this section—

"(A) to determine the level of success of each public housing agency in achieving the purposes of the program under subsection (a); and

"(B) to identify program models that can be replicated by other agencies to achieve such success.

"(2) REPORTS.—

"(A) IN GENERAL.—The Secretary shall submit three reports to the Congress, as provided in subparagraph (B), evaluating the programs of all public housing agencies participating in the program under this section and all agencies participating in the moving to work demonstration. Each such report shall include findings and recommendations for any appropriate legislative action.

"(B) TIMING.—The reports under this paragraph shall include—

"(i) an initial report, which shall be submitted before the expiration of the 3-year period beginning on the date of the enactment of the Section 8 Voucher Reform Act of 2007;

"(ii) an interim report, which shall be submitted before the expiration of the 5-year period beginning on such date of enactment; and

"(iii) a final report, which shall be submitted before the expiration of the 10-year period beginning on such date of enactment.

"(3) EVALUATING ENTITY.— The Secretary may contract out the responsibilities under this paragraphs (1) and (2) to an independent entity that is qualified to perform such responsibilities.

"(4) PERFORMANCE MEASURES.—The Secretary or the evaluating entity, as applicable, shall establish performance measures, which may include—

"(A) a baseline performance level against which program activities may be evaluated; and

"(B) performance measures for—

"(i) increasing housing opportunities for extremely low-, very low-, and low-income families, replacing or rehabilitating housing at risk of physical deterioration or obsolescence, and developing additional affordable housing;

"(ii) leveraging other Federal, State, and local funding sources, including the low-income housing tax credit program, to expand and preserve affordable housing opportunities, including public housing;

"(iii) moving families to self-sufficiency and increasing employment rates and wages of families without imposing a significant rent burden on the families having the lowest incomes;

"(iv) reducing administrative costs; and

"(v) any other performance measures that the Secretary or evaluating entity, as applicable, may establish.

"(g) RECORDKEEPING, REPORTS, AND AUDITS.—

"(1) RECORDKEEPING.—Each public housing agency participating in the program under this section shall keep such records as the Secretary may prescribe as reasonably necessary to disclose the amounts and the disposition of amounts under the program, to ensure compliance with the requirements of this section, and to measure performance.

"(2) REPORTS.—In lieu of all other reporting requirements, each such agency participating in the program shall submit to the Secretary an annual report in a form and at a time specified by the Secretary. Each annual report shall include the following information:

"(A) A description, including an annual consolidated financial report, of the sources and uses of funds of the agency under the program, which shall account separately for funds made available under section 8 and subsections (d) and (e) of section 9, and shall compare the agency's actions under the program with its annual plan for the year.

"(B) An annual audit that complies with the requirements of Circular A-133 of the Office of Management and Budget, including the OMB Compliance Supplement.

"(C) A description of each hardship exception requested and granted or denied, and of the use of any transition rules.

"(D) Documentation of public and resident participation sufficient to comply with the requirements under paragraph (7).

"(E) A comparison of income and the sizes and types of families assisted by the agency under the program compared to those assisted by the agency in the base year.

"(F) Every two years, an evaluation of rent policies, subsidy level policies, and policies on program participation.

"(G) A description of any ongoing local evaluations and the results of any local evaluations completed during the year.

"(3) ACCESS TO DOCUMENTS BY SECRETARY.—The Secretary shall have access for the purpose of audit and examination to any books, documents, papers, and records that are pertinent to assistance in connection with, and the requirements of, this section.

"(4) ACCESS TO DOCUMENTS BY THE COMPTROLLER GENERAL.—The Comptroller General of the United States, or any of the duly authorized representatives of the Comptroller General, shall have access for the purpose of audit and examination to any books, documents, papers, and records that are pertinent to assistance in connection with, and the requirements of, this section.

"(5) REPORTS REGARDING EVALUATIONS.—The Secretary shall require each public housing agency participating in the program under this section to submit to the Secretary, as part of the agency's annual report under paragraph (2), such information as the Secretary considers appropriate to permit the Secretary to evaluate (pursuant to subsection (f)) the performance and success of the agency in achieving the purposes of the demonstration.

"(h) ADDITIONAL PROGRAM AGENCIES.—In participating in the program under the terms of this subsection, the public housing agencies designated for such participation shall be subject to the requirements of this section, and the additional following requirements:

"(1) APPLICABILITY OF CERTAIN EXISTING PROVISIONS.—Such agencies shall be subject to the provisions of—

"(A) subsections (a) and (b) of section 3; and

"(B) section 8(o), except for paragraph (11) and except that such agencies shall not be required to comply with any provision of such section 8(o) that pursuant to subsection (e)(3) of this section does not apply to agencies that are subject to such section (e)(3).

"(2) NO TIME LIMITS.—Such agencies may not impose time limits on the term of housing assistance received by families under the program.

"(3) NO EMPLOYMENT CONDITIONS.—Such agencies may not condition the receipt of housing assistance by families under the program on the employment status of one of more family members.

"(4) ONE-FOR-ONE REPLACEMENT.—

"(A) CONDITIONS ON DEMOLITION.—Such agencies may not demolish or dispose of any dwelling unit of public housing operated or administered by such agency (including any uninhabitable unit and any unit previously approved for demolition) except pursuant to a plan for replacement of such units in accordance with, and approved by the Secretary of Housing and Urban Development pursuant to, subparagraph (B).

"(B) PLAN REQUIREMENTS.—The Secretary may not approve a plan that provides for demolition or disposition of any dwelling unit of public housing referred to in subparagraph (A) unless—

"(i) such plan provides for outreach to public housing agency residents in accordance with paragraph (5);

"(ii) not later than 60 days before the date of the approval of such plan, such agency has convened and conducted a public hearing regarding the demolition or disposition proposed in the plan;

"(iii) such plan provides that for each such dwelling unit demolished or disposed of, such public housing agency will provide an additional dwelling unit through—

"(I) the acquisition or development of additional public housing dwelling units; or

"(II) the acquisition, development, or contracting (including through project-based assistance) of additional dwelling units that are subject to requirements regarding eligibility for occupancy, tenant contribution toward rent, and long-term affordability restrictions which are comparable to public housing units;

"(iv) such plan provides for a right, and implementation of such right, to occupancy of additional dwelling units provided in accordance with clause (iii), for households who, as of the time that dwelling units demolished or disposed of were vacated to provide for such demolition or disposition, were occupying such dwelling units;

"(v) such plan provides that the proposed demolition or disposition and relocation will be carried out in a manner that affirmatively furthers fair housing, as described in subsection (e) of section 808 of the Civil Rights Act of 1968; and

"(vi) to the extent that such plan provides for the provision of replacement or additional dwelling units, or redevelopment, in phases over time, such plan provides that the ratio of dwelling units described in subclauses (I) and (II) of clause (iii) that are provided in any such single phase to the total number of dwelling units provided in such phase is not less than the ratio of the aggregate number of such dwelling units provided under the plan to the total number of dwelling units provided under the plan.

"(C) INAPPLICABLE PROVISIONS.—Subparagraphs (B) and (D) of section 8(o)(13) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(13)) shall not apply with respect to vouchers used to comply with the requirements of subparagraph (B)(iii) of this paragraph.

"(D) MONITORING.—The Secretary of Housing and Urban Development shall provide for the appropriate field offices of the Department to monitor and supervise enforcement of this paragraph and plans approved under this paragraph and to consult, regarding such monitoring and enforcement, with resident councils of, and residents of public housing operated or administered by, the agency.

"(5) COMPREHENSIVE OUTREACH PLAN.—No program funds of such agencies may be use to demolish, dispose of, or eliminate any public housing dwelling units except in accordance with a comprehensive outreach plan for such activities, developed by the agency in conjunction with the residents of the public housing agency, as follows:

"(A) The plan shall be developed by the agency and a resident task force, which may include members of the Resident Council, but may not be limited to such members, and which shall represent all segments of the popu-

lation of residents of the agency, including single parent-headed households, the elderly, young employed and unemployed adults, teenage youth, and disabled persons.

"(B) The votes and agreements regarding the plan shall involve not less than 25 and not more than 35 persons.

"(C) The plan shall provide for and describe outreach efforts to inform residents of the program under this subsection, including a door-to-door information program, monthly newsletters to each resident household, monthly meetings dedicated solely to every aspect of the proposed development, including redevelopment factors, which shall include the one-for-one replacement requirement under paragraph (5), resident rights to return, the requirements of the program under this subsection, new resident support and community services to be provided, opportunities for participation in architectural design, and employment opportunities for residents, which shall reserve at least 70 percent of the jobs in demolition activities and 50 percent of the jobs in construction activities related to the redevelopment project, including job training, apprenticeships, union membership assistance.

"(D) The plan shall provide for regularly scheduled monthly meeting updates and a system for filing complaints about any aspect of the redevelopment process.

"(i) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

"(1) EXISTING MTW AGENCY.—The term 'existing MTW agency' means a public housing agency that as of the date of the enactment of the Section 8 Voucher Reform Act of 2007 has an existing agreement with the Secretary pursuant to the moving to work demonstration.

"(2) BASE YEAR.—The term 'base year' means, with respect to a participating agency, the agency fiscal year most recently completed prior to selection and approval for participation in the housing innovation program under this section.

"(3) MOVING TO WORK DEMONSTRATION.—The term 'moving to work demonstration' means the moving to work demonstration program under section 204 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1996 (42 U.S.C. 1437f note).

"(4) PARTICIPATING AGENCIES.—The term 'participating agencies' means public housing agencies designated and approved for participation, and participating, in the housing innovation program under this section.

"(5) PROGRAM FUNDS.—The term 'program funds' means, with respect to a participating agency, any amounts that the agency is authorized, pursuant to subsection (e)(1), to use to carry out the housing innovation program under this section of the agency.

"(6) RESIDENTS.—The term 'residents' means, with respect to a public housing agency, tenants of public housing of the agency and participants in the voucher or other housing assistance programs of the agency funded under section 8(o), or tenants of other units owned by the agency and assisted under this section.

"(j) AUTHORIZATION OF APPROPRIATIONS FOR RESIDENT TECHNICAL ASSISTANCE.—There is authorized to be appropriated for each of fiscal years 2008 through 2012 $10,000,000, for providing capacity building and technical assistance to enhance the capabilities of low-income families assisted under the program under this section to participate in the process for establishment of annual plans under this section for participating agencies.

"(k) AUTHORIZATION OF APPROPRIATIONS FOR EVALUATIONS.—There is authorized to be appropriated $15,000,000 to the Department of Housing and Urban Development for the purpose of conducting the evaluations required under subsection (f)(1).".

(b) GAO REPORT.—Not later than 48 months after the date of the enactment of this Act, the Comptroller General of the United States shall submit a report to the Congress on the extent to which the public housing agencies participating in the housing innovation program under section 36 of the United States Housing Act of 1937 are meeting the goals and purposes of such program, as identified in subsection (a) of such section 36.

SEC. 17. DEMONSTRATION PROGRAM WAIVER AUTHORITY.

(a) AUTHORITY TO ENTER INTO AGREEMENTS.—Notwithstanding any other provision of law, the Secretary of Housing and Urban Development may enter into such agreements as may be necessary with the Social Security Administration and the Secretary of Health and Human Services to allow for the participation, in any demonstration program described in subsection (c), by the Department of Housing and

Urban Development and the use under such program of housing choice vouchers under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)).

(b) WAIVER OF INCOME REQUIREMENTS.—The Secretary of Housing and Urban Development may, to extent necessary to allow rental assistance under section 8(o) of the United States Housing Act of 1937 to be provided on behalf of persons described in subsection (c) who participate in a demonstration program described in such subsection, and to allow such persons to be placed on a waiting list for such assistance, partially or wholly disregard increases in earned income for the purpose of rent calculations under section 3 for such persons.

(c) DEMONSTRATION PROGRAMS.—A demonstration program described in this subsection is a demonstration program of a State that provides for persons with significant disabilities to be employed and continue to receive benefits under programs of the Department of Health and Human Services and the Social Security Administration, including the program of supplemental security income benefits under title XVI of the Social Security Act, disability insurance benefits under title II of such Act, and the State program for medical assistance (Medicaid) under title XIX of such Act.

SEC. 18. AUTHORIZATION OF APPROPRIATIONS.

There is authorized to be appropriated the amount necessary for each of fiscal years 2008 through 2012 to provide public housing agencies with incremental tenant-based assistance under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)) sufficient to assist 20,000 incremental dwelling units in each such fiscal year.

SEC. 19. EFFECTIVE DATE.

Except as otherwise specifically provided in this Act, this Act and the amendments made by this Act, shall take effect on January 1, 2008.

PURPOSE AND SUMMARY

The purpose of H.R. 1851, the "Section 8 Voucher Reform Act of 2007," is to authorize a reliable funding allocation formula for annual renewal of Section 8 housing vouchers, to simplify rent calculation and inspection requirements for Section 8 vouchers, project-based assistance, and public housing, and to promote self-sufficiency on the part of assisted families through work incentives and homeownership opportunities. The bill also expands and renames the "Moving to Work" program, in which public housing agencies undertake innovative housing proposals, with the purpose of identifying models and policies that might be extended to all housing agencies.

The bill is designed to accomplish these goals, while maintaining important protections for low-income families, and in particular the very poorest families, being assisted under these federal rental housing programs. Income targeting requirements are maintained, as are statutory rent protections that ensure that rents are affordable for public and assisted families. Housing voucher requirements that ensure that rental units meet federal housing quality standards are maintained. And tenant participation requirements, lease protections, and administrative grievance rights are maintained, and in the case of the revised Moving to Work program (renamed the "Housing Innovation Program"), are enhanced.

BACKGROUND AND NEED FOR LEGISLATION

SECTION 8 VOUCHER FUNDING FORMULA

Program administrators, owners, and other stakeholders have expressed growing frustration about numerous changes made over the last several years to the Section 8 voucher funding formula and program rules. These included a major revision to the basic funding allocation formula coupled with deepening pro rata funding cuts, volatile changes to the permissible levels of individual public hous-

ing agency (PHA) program reserves, a new prohibition against exceeding the number of authorized families ("overleasing"), a major revision of the way administrative costs are funded, and a HUD policy change reducing the number of tenant protection vouchers provided when public and assisted housing units are demolished or lost. Concerns have been raised about the loss of some 150,000 vouchers since a major funding formula change three years ago, in conjunction with a buildup of some $1.4 billion in unused voucher funds which were not used for the pro- gram purpose of providing voucher assistance.

During committee hearings and roundtable discussions over the last several years, program stakeholders expressed strong support for the enactment of authorizing legislation governing voucher funding renewals. Adoption of a reliable, predictable funding policy would facilitate the ability of program administrators to make better short- and long-term planning decisions.

The bill establishes a funding authorization formula for the renewal of Section 8 vouchers over the period from Fiscal Year 2008 through 2012. The purpose is to provide a more efficient funding formula that bases funding allocations more on need, and that creates incentives for PHAs to use their annually allocated funding to provide vouchers to serve more families. The changes would create a more efficient funding allocation by shifting resources from agencies not using all their funds to agencies willing and able to use them to serve more families. At the same time, agencies that would receive fewer funds than they would have received under the prior formula are protected because these are the very same PHAs that will have reserves, which they can use to maintain voucher utilization levels.

Specifically, the bill allocates voucher renewal funds each year based on the leasing and cost data for each public PHA from the prior calendar year. Consistent with the practice in recent years, an annual inflation adjustment is provided—except that the bill includes language designed to make such adjustments more accurate, by requiring HUD to base inflation adjustments on the smallest geographical areas for which data is annually available. Individual PHA funding allocations are also adjusted for tenant protection and enhanced vouchers received in the preceding year, for any vouchers a PHA may have set aside for project-based assistance, for vouchers a PHA absorbed during the prior year, and for such other adjustments as HUD considers appropriate, including making adjustments for natural and other major disasters.

Unlike the voucher funding practices in place prior to the program changes made starting in FY 2004, the bill does not return to a "cost plus" reimbursement system, in which PHAs are automatically made whole for all validly incurred voucher costs. Instead, the bill retains the practice, started in 2004, of providing PHAs with a fixed amount of voucher funds for each calendar year, which a PHA must live within. Unlike the pre-2004 policy, PHAs will not be reimbursed for reserves they use to provide voucher assistance. Finally, appropriators retain full control over the amount of annual renewal funds appropriated each year, through a provision allowing for proration if funding is not sufficient to meet all renewal needs under the formula.

However, changes are made to make the program more efficient. First, in contrast with recent years in which PHAs have been permitted to retain all accumulated unused voucher funds as reserves, the bill provides that PHAs may retain a one-month reserve level at the end of 2007 (the transition year), and a 5 percent reserve level in each succeeding year. Language is included guaranteeing that PHAs may retain such reserves, so that they can plan on using all their allocated funds without fear that their safety net of reserves might be rescinded mid-year. In addition, the bill provides that a PHA with no or limited reserves may receive a 2 percent advance in the last three months of the calendar year to cover unanticipated overages in that year. This provision is cost neutral, as a PHA in effect "repays" this advance just a few months later through an offsetting downward adjustment in their next year's funding allocation.

The reserve levels authorized in the bill are also intended as a ceiling, since the bill requires HUD to recapture excess reserves and reallocate them for program needs. First priority for reallocated funds is for mid-year portability absorption costs and increased family self-sufficiency costs. All remaining funds are to be reallocated by May 1st to agencies that have effectively used available funds for the purpose of increasing the number of voucher families they are serving. It is expected that HUD would establish criteria for fund reallocation to direct funds to agencies which meet or exceed a certain threshold of fund utilization, with funding provided to a significant number of such agencies. The reallocation process is an important feature both in providing incentives for PHAs to use their allocated funds [as opposed to building up large reserves], and in promoting efficiency in fund use, by channeling excess unused funds to agencies that will serve more families. Reallocation also ensures that funds that were originally appropriated for housing vouchers continue to be used for that purpose, instead of being rescinded and used for non-housing purposes, as has been the case periodically in the past.

The bill also restores the policy in place prior to FY 2003 which permits "overleasing"—that is, providing vouchers to more families than a PHA is entitled to serve. The purpose of the change is to provide incentives for PHAs to use funds more efficiently, by permitting funds not needed to cover a PHA's authorized number of families to serve additional families. However, funding calculations in 2009 which are based on the first transition year (2008) limit the use of reserves in 2008 to increase leasing up to 103 percent of a PHA's number of authorized families, in recognition of the higher level of retained reserves permitted that year. Without this limit, PHAs with large amounts of accumulated unused funds from prior years could receive an inappropriate benefit, by being able to use such large reserves to inflate a PHA's baseline. In practice, it would be appropriate to extend this limitation for any year in which appropriations bills might elect to permit PHA retained reserves to exceed 5 percent.

The bill restores an important incentive for PHAs to maximize the number of voucher families they are serving, by re-instating the statutory requirement that voucher administrative fees shall be based on the number of vouchers in use. Specifically, the bill retains the Fiscal Year 2003 per-unit fee as a baseline, along with

subsequent annual inflation adjustments. It provides that voucher administrative fees also include an amount for the cost of issuing new vouchers.

The bill would reverse the policy implemented by the Department of Housing and Urban Development in January 2006, which reduces the number of tenant replacement vouchers issued when public and assisted housing units are lost. Prior to January 2006, a replacement voucher was provided for every lost public and assisted housing unit. The 2006 policy limits such vouchers to only those units occupied at the time a PHA applies for replacement vouchers. This determination is arbitrary, as units may be vacant for many reasons, including anticipated changes in ownership or planned demolition. Moreover, the policy reduces the number of families which may be federally assisted. The bill restores the prior policy requiring tenant replacement vouchers for all lost units.

The bill requires HUD to develop and issue guidance to PHAs receiving incremental vouchers for non-elderly disabled families between 1997 and 2002 to ensure that these vouchers continue to be provided to such families upon turnover. This requirement addresses concerns that such vouchers have been converted to general voucher use, and not reserved for disabled families.

ADMINISTRATIVE SIMPLIFICATION—RENT CALCULATIONS

The bill simplifies the rules used to establish rents and subsidies for the Section 8 voucher and project-based assistance programs and for public housing, while maintaining the essential and longstanding statutory provisions that keep rents affordable for lower income families.

For elderly and disabled tenants, the threshold for income deductions for medical expenses, including handicapped assistance costs, is increased from 3 percent to 10 percent of a family's income. This higher threshold will eliminate the need for a significant number of families to keep and submit detailed medical expense information and will reduce PHAs' administrative burden, while maintaining deductions for significant and catastrophic medical costs. To offset this medical deduction threshold increase, the standard deduction for elderly and disabled families is increased from $400 to $725 (with indexing thereafter in $25 increments). The net overall effect on tenants is expected to be at most a small rent increase or decrease compared to current law.

For non-elderly and non-disabled families, particularly families with children, calculations are also simplified, through the elimination of deductions for child care expenses, and for child and spousal support. To offset this change, rent calculation work incentives are provided for all families with earned income (as noted in the subsequent section on self-sufficiency).

The bill also includes a number of provisions to simplify the process PHAs and owners use to calculate rents, which are designed to result in very limited changes in the rent levels for public and assisted families. These include relieving PHAs of responsibility to maintain records of HUD-required miscellaneous income exclusions, use of a HUD-prescribed inflation adjustment for fixed income families, permitting PHA safe harbor reliance on other governmental income determinations (e.g., Medicaid, TANF), and per-

mitting PHAs to make other appropriate adjustments when using prior year's calculations for other types of income.

All these changes to rent calculations are designed to result in roughly comparable rent burdens for families as under current statute, and also to result in roughly comparable Section 8 and public housing costs. However, it is expected that during the transitional period, HUD, PHAs and owners will make a concerted effort to inform assisted families of the pending changes in rent rules and any potential adverse consequences, and in particular to work with families most affected by the change (such as families currently eligible for the child care deduction) to assist them in this transition.

Since public housing agencies have not received full funding in recent years to cover their operating costs, the bill requires HUD to make public housing operating funding formula adjustments to reflect any non de minimus reductions in public housing rental income arising from rent reforms, during the period in which revenue is frozen under the asset management rule. The bill also requires HUD to submit to Congress, for both Fiscal Years 2008 and 2009, a report identifying and calculating the impact of rent reforms on public housing costs and revenues.

ADMINISTRATIVE SIMPLIFICATION—RECERTIFICATION

The most significant simplification provision in the bill is that the annual rent re-certification requirement is modified to permit PHAs to recertify "fixed income" families only every three years. This class of families is defined as any family with more than 90 percent of income from a combination of Social Security, SSI, governmental and private pensions, and similar periodic payments. Income for these families is fairly predictable, and use of generic CPI adjustments for such income in years without recertification should closely track actual income. This change would result in a two thirds reduction in the administrative burden of recertifying such families, which constitute an estimated more than one third of all public and assisted families.

The interim recertification process is also simplified, to provide for such interim recertifications only if unearned annual income increases by $1,500, or if a family requests a recertification if its annual income is estimated to fall by $1,500 or more (or such lesser amount as the PHA may establish). These thresholds eliminate time consuming midyear recertifications which have a minimal rent impact, while protecting families whose income drops by meaningful amounts.

ADMINISTRATIVE SIMPLIFICATION—VOUCHER INSPECTIONS

The bill also makes a number of changes to the inspection and reinspection requirements for rental housing units that serve Section 8 voucher holders, while at the same time maintaining the essential tenant protections that tenants should not move into unsafe units and that such units should be maintained at levels which meet federal Housing Quality Standards (HQS).

The bill retains the existing statutory requirement that a rental unit be inspected prior to occupancy, but it permits occupancy and payments to landlords for up to 30 days if a unit fails inspection as a result only of non-life threatening conditions. Even in this

case, payments must be suspended after 30 days if the deficiencies are not corrected. The bill also lets PHAs permit occupancy prior to inspection if another federal program inspection meeting federal Housing Quality Standards has been made within the preceding 12 months, and to make payments to the owner retroactive to the beginning of the lease term when an inspection is subsequently completed. The statutory provision requiring PHAs to inspect units within 15 days of a landlord's request would continue to apply to inspections in such case. The purpose of these provisions is to allow tenants to move into habitable units as quickly as possible, and also to avoid discouraging landlords from accepting voucher families because of voucher rules that unnecessarily reduce rent revenues by delaying tenant move-ins.

The bill changes the annual re-inspection requirement to a requirement that properties be re-inspected at least every two years. This provides for an effective 50 percent reduction in the number of required inspections, while requiring periodic inspections at reasonable intervals and maintaining a family's right to request an interim inspection if there are problems with the unit they live in.

The bill also permits use of federal, state, or local inspections in lieu of a PHA voucher re-inspection, subject to the condition that such inspection provides comparable standards to those that apply to the voucher program. This avoids the cost and burden of redundant inspections. The flexibility provided to use inspections from other programs, such as the HOME program, in lieu of a voucher inspection is not intended to reduce safety or reduce the level of standards that units must meet. Thus, it is important that PHAs ensure that any inspections used under such other programs fully meet Federal voucher program Housing Quality Standards.

SELF-SUFFICIENCY INCENTIVES

The bill includes a number of provisions designed to create incentives for families to obtain employment, increase earned income, pursue higher education, and save for retirement.

First, the bill requires PHAs to calculate a family's earned income using the amount earned in the prior year. This should increase the accuracy of the calculation. More importantly, this should have an earned income disregard effect by delaying imposition of rent increases that would otherwise result from increases in earned income. The bill also prohibits interim recertifications of increases in earned income. These income disregard features reduce work disincentives that otherwise result when rents rise immediately as a result of increases in income.

The bill also provides for an explicit disregard of 10 percent of a family's (prior year) earned income. This creates an additional income disregard, and is designed to further mitigate the current work disincentives that are associated with rent increases that otherwise result from income increases.

The bill also modifies existing income targeting requirements, to make it easier for lower income working families to receive a voucher in rural and other lower income geographic areas. The statute currently requires that 75 percent of new families that receive voucher assistance from an agency each year must have incomes below 30 percent of the local area median income (defined as "extremely low income families"). The purpose of this require-

ment is to target the limited supply of vouchers to our nation's poorest families. In addition, 40 percent of public housing units and Section 8 project-based units that become available each year must be rented to such extremely low income families.

One result of this locally based income calculation is that the dollar amount targeting income threshold is relatively lower in rural and other areas with lower incomes. This can result in limiting vouchers and other federal rental assistance in these areas to only the lowest of lower income working families (and in some areas can even exclude minimum wage workers). The bill addresses this impact by modifying the income targeting cutoff to be the higher of 30 percent of local area median income (the current threshold) or the national poverty level for a family of comparable size. This national poverty level threshold was set as a reasonable cutoff point for targeting rental assistance to our nation's poorest families.

One tool that PHAs have to encourage work and self-sufficiency is the Family Self-Sufficiency (FSS) Program. FSS coordinators work with families to help them pursue education, develop job skills, and obtain employment. FSS participants build savings in amounts equal to the increased rent payments that result from their increases in earnings. Unfortunately, the current process of funding FSS coordinators through an annual HUD competition for limited federal grant funds has resulted in uncertain funding for such coordinators, which has reduced their effectiveness and cut into other PHA resources. The bill provides for more reliable funding of family self-sufficiency coordinators by including an amount for such costs in a PHA's voucher administrative costs. Fees are generally provided based on the number of coordinators employed and the number of families being served, with funding required for agencies that received funding for 3 or more self-sufficiency coordinators anytime from FY 1998 to FY 2007.

In addition, to avoid disincentives for families and their children to pursue higher education opportunities, the bill exempts income of adult dependents that are full time students, exempts from income grant-in-aid or scholarship amounts used for tuition or books, and exempts income from Coverdell education savings accounts and Section 529 qualified tuition programs.

The bill also authorizes HUD to enter into agreements with the Social Security Administration and the Secretary of Health and Human Services to allow for participation in state demonstration programs designed to permit persons with significant disabilities to be employed and continue to receive a range of federal benefits. HUD is authorized to permit a partial or complete disregard of increases in earned income for persons participating in any such demonstration for the purpose of calculating rent contributions for Section 8 housing vouchers.

Finally, to ensure that public and federally assisted tenants get proper credit for paying their rent on time, the bill authorizes a PHA to submit information regarding rental payment history for voucher tenants to credit reporting agencies, providing the family agrees to such submission.

HOMEOWNERSHIP

In 1998, as part of broader housing legislation, Congress adopted a provision permitting voucher holders, at the local option of each

PHA, to use a voucher for a down payment on a home purchase. However, that bill made such use subject to appropriation in advance. The bill effectively lifts this condition, by permitting voucher funds to be used for a down payment for a first-time home purchase, as a one-time grant in an amount not exceeding $10,000, for families who have been receiving voucher assistance for a period of at least one year. Unlike the use of vouchers to finance annual mortgage payments (which is currently permitted at a PHA's option), use of a voucher for a down payment on a home purchase also frees up the voucher for a different family in the following year.

The bill also facilitates the use of vouchers for the full cost of purchasing manufactured homes sited on leased land, by permitting voucher funds to be used for both the cost of leasing the land, and for the monthly home purchase costs, including property taxes, insurance, and tenant-paid utilities. Currently, the statute only permits a voucher to be used to pay the cost of leasing the land, which makes the voucher of little use for such purpose. This change should be particularly helpful in expanding affordable housing opportunities to voucher holders in rural areas.

PORTABILITY

The bill changes the current policy regarding "ported vouchers," that is, where a family receives a voucher from their local PHA and moves to an area under the jurisdiction of another PHA. Currently, when a family moves from one area to another, the sending PHA continues to fund the voucher and enters into a billing arrangement with the receiving PHA. This procedure is administratively cumbersome. It is also potentially costly to the sending agency whenever rents in the receiving PHA are higher—a factor which has resulted in many PHAs limiting the opportunity of voucher holders to move to other areas. This undermines one of the voucher program's central features, that of mobility.

Therefore, the bill requires PHA receiving agencies to "absorb" such ported vouchers. (However, in cases in which there are overlapping PHA jurisdictions or in which state law permits PHAs to continue to administer a voucher in another area, the absorption requirement need not apply).

An essential feature of this requirement is that it not impose new costs on PHAs. Therefore, it is essential that all the provisions included in the bill which ensure full funding of portability costs are implemented at such time as the absorption requirement is implemented (along with any related overleasing authority for the small number of agencies that might need it, which the bill provides).

Under the bill, the sending PHA is not adversely affected financially in the year absorption takes place since the PHA may reissue a new voucher immediately following such a port (in the same manner as if the voucher were turned back in). Also, the sending PHA is not adversely affected under the following year's baseline calculation, since that calculation would take into account both the ported voucher expenditure through the date of absorption, plus the expenditure related to the replacement voucher after the port.

The receiving agency is not adversely affected financially in the year absorption takes place, since the bill makes funding of in-

creased costs by receiving agencies a first priority under the reallocation process for recaptured excess reserves. (In practice, this could alternatively be accomplished through establishment of a fund at the beginning of the calendar year through annually appropriated funds for such purpose). The cost of funding such absorptions could be limited by doing this on a net absorption basis for each agency. In addition, HUD should permit PHAs to accelerate their pro rata monthly allocation of voucher funds, if necessary, to accommodate increased costs related to absorption. Regardless of the timing, it is essential that PHAs be funded or reimbursed for all increased costs related to mid-year absorption, so that PHAs do not otherwise reduce the number of local families receiving a voucher or deplete their reserves. A receiving agency is also protected under its funding allocation in the subsequent year for the cost of ported vouchers by language explicitly requiring HUD to make adjustments for portability, to reflect a partial year expenditure for the ported voucher in the prior year.

There will be a one-time transitional impact, as the current levels of ported vouchers are absorbed under this new provision. HUD should take appropriate actions to protect PHAs from the effects of this transition. The bill's authority to make funding allocation adjustments for ported vouchers should be used to protect PHAs that are major net sending agencies to reflect a one-time lag relating to reissuance of what may be a significant number of vouchers. In addition, in performing voucher performance assessments for the purpose of measuring the factor of "the extent of utilization of allocated funds and authorized vouchers," HUD should make allowances for any one-time, temporary voucher utilization decline resulting from this transition.

INCREMENTAL VOUCHERS

The bill authorizes funding for 20,000 incremental Section 8 vouchers each year from Fiscal Year 2008 through Fiscal Year 2012, for a total cumulative amount of 100,000 new vouchers.

HOUSING INNOVATION PROGRAM

The bill renames the "Moving to Work" (MTW) program as the "Housing Innovation Program" (HIP). HUD is required to carry out this program, in which HUD may designate no more than 60 agencies (including existing agencies approved for program continuation), and may add 20 additional agencies [so-called "HIP-lite" agencies] under more stringent program limitations. The program is extended for a 10-year period.

HUD is required to approve existing MTW agencies for continued eligibility, provided they are not in default under their existing MTW agreement and that HUD determines they are meeting their goals and objectives. Agencies approved for continuation must generally make changes to existing policies to bring them in line with new program rules within two years of enactment.

No more than five agencies newly selected for program participation may be "near-troubled." Agencies shall be selected to provide for diversity with respect to size, geography, and areas served (i.e., urban, suburban, and rural). Applicants must have held two public meetings on their HIP application proposal, preceded by 30 days prior notice to residents and the local community. Agencies shall

be selected based on criteria to be established by HUD, which shall include the extent to which the proposal generally identifies rules and regulations that impede achievement of its goals and objectives and why program participation is necessary to achieve such goals and objectives; the extent of local commitment and funding; the extent to which the applicant has a history of success in pursuing similar strategies to those identified in the application; and whether the proposal pursues one of two priority strategies. The two priority strategies are (1) development, rehabilitation, and financing, and (2) rent reforms designed to increase earned income and achieve administrative cost savings without increased rent burdens for extremely-low and very-low income families.

These more targeted critieria for PHA selection are intended to provide a clearer focus on what agencies plan to do with the deregulated rules permitted under the program, as well as why such deregulation is essential to carrying out goals and objectives. The priority strategies are intended to develop a focus on experimentation that can later be used as a model for federal policy makers in determining whether certain specific rules should be changed nationwide.

Activities which can be undertaken with program funds are enumerated, subject to requirements that a PHA must assist not less than substantially the same number of low income families, with a comparable mix of families by family size. A number of existing statutory requirements are retained, including income targeting, Section 18 demolition and disposition rules, a number of tenant protections including lease requirements and eviction protections, portability, and other provisions. A number of procedural, PHA plan, and tenant participation requirements are spelled out for any PHA policy changes under the program that would make a material change to tenant rents or contributions or to conditions of continued occupancy or participation, including requirements for hardship protections and transition policies. The purpose of these enhanced protections for assisted families is to ensure greater involvement of affected families in the policies being developed, and to ensure that such families are not adversely affected by activities being pursued under the more relaxed program rules.

Additionally, the 20 HIP-lite agencies must comply with statutory rent requirements, may not impose time limits, may not establish work requirements, must replace demolished or disposed of public housing units on a one for one basis, and must include more extensive resident participation in any plan which provides for demolition or disposition of public housing units. HIP-lite is designed for agencies that may want to participate in innovative finance and development activities, but have no interest in pursuing rent and other tenant policies.

It is expected that HUD will fund Housing Innovation Program agencies under a funding agreement, as has been the case with Moving to Work Agencies, and further that HUD will continue to offer such agencies the alternative option of receiving funding according to the amounts they would otherwise receive under voucher and public housing rules.

HUD must perform evaluations of agencies participating in the program or may contract out such responsibility to an independent entity qualified to perform such task. It is expected and HUD is en-

couraged to use its authority to contract out the evaluating function to an independent entity. Such evaluations must use performance measures and identify models that can be replicated by other agencies to achieve success. HUD is required to submit evaluation reports at 3-, 5-, and 10-year periods. The purpose of this more structured evaluation process is to improve the methodology used to evaluate the successes and problems of the program than has existed for the MTW program.

$10 million is authorized in each of the years FY 2008 through FY 2012 for capacity building and technical assistance to enhance the capabilities of low income families assisted under the program to participate effectively in local policy deliberations. $15 million is authorized for HUD to conduct the required evaluations.

PROJECT-BASING OF VOUCHERS

An important feature of housing vouchers is the flexibility voucher families have to decide where to live, including the opportunity to move to areas where there are job and educational opportunities. However, another important option under the voucher program is the ability of PHAs to project base vouchers. This option is particularly important for PHAs located in areas with tight rental markets and rising rents, and for PHAs seeking to provide supportive housing for persons with disabilities and for formerly homeless individuals and families. Under project basing, a PHA and an owner reach agreement under which the landlord agrees to attach a tenant-based voucher to a certain number of units within a rental development.

The bill includes a number of provisions to make the project basing of vouchers more flexible and effective. The bill extends the maximum voucher contract term from 10 to 15 years, which should make it easier for owners to obtain financing and thus enhance affordability, including for projects funded with low income housing tax credits. The bill also reverses an October, 2005 HUD action to reduce Section 8 rents in projects used with low income housing tax credits—by specifically providing that Section 8 rent assistance levels be maintained for such projects.

The bill also increases the percentage of vouchers a PHA can project-base from 20 percent to 25 percent, with authority to go 5 percent higher to serve homeless persons. It permits income mixing at the project level, instead of the building level, and it sets the percentage of vouchers that can be project-based in a project at the greater of 25 units or 25 percent of the units in any project, with authority to go up to 50 percent in areas where it is hard for voucher holders to find rental units. The bill permits project-based vouchers to be used in cooperative housing and in high rise elevator projects occupied by families with children. The bill eliminates redundant and unnecessary subsidy layering review and environmental review requirements. The bill clarifies that lease and tenancy provisions pertaining to Section 8 vouchers shall apply to project-basing of vouchers, except that the one year minimum lease term shall not apply. And, the bill permits owners using project-based vouchers to maintain site-based waiting lists, subject to PHA oversight. The bill also provides an absolute preference for families that reside in dwelling units proposed to receive project-based assistance who are otherwise eligible for such assistance.

ASSET/INCOME TESTS AND PROHIBITION AGAINST OWNERSHIP OF RESIDENCE

In recognition of long housing voucher and public housing waiting lists, the bill strengthens income eligibility restrictions, establishes a new asset limitation, and bars families from receiving federal rental housing assistance if they own a residence. The purpose is to free up vouchers or public or assisted housing units for families more in need financially.

The bill for the first time creates a new asset limitation for both initial and ongoing rental assistance eligibility, by prohibiting any family from having more than $100,000 in net assets. To encourage self-sufficiency, the bill excludes from this asset calculation homeownership equity accounts and family self-sufficiency accounts, and retirement and education savings accounts. Personal property that is not of significant value is also excluded. To limit the administrative burden of this new limitation, the bill permits PHAs to rely on self-certification of assets by the assisted family.

The bill for the first time prohibits families from receiving federal assistance if they own a residence suitable for occupancy. Exempted from this prohibition are homes paid for by federal rental housing assistance, victims of domestic violence, and families making a good faith effort to sell a property (to protect, for example, a tenant who inherits a property with limited equity).

The bill also extends the eligibility requirement that families be "low income" [i.e., below 80 percent of local area median income] to apply also at the time of each annual recertification. However, the bill retains existing income limitations for enhanced vouchers (where the owner leaves certain federally assisted housing programs) and protects families in properties initially permitted to have incomes up to 95 percent of median income by letting them to continue to live in such housing as long as they comply with this income limitation.

PHAs may elect not to enforce asset and income limits for public housing residents at recertification, and owners may elect not to enforce income limits at recertification. PHAs and owners may also delay eviction or termination of families not meeting the asset, residence or income limitations for a period of up to six months, in order to give tenants an opportunity to find another place to live, and to address situations where a family's assets or income briefly exceed the limit, but fall back shortly thereafter to permitted eligibility levels.

TENANT PROTECTIONS

The bill includes a number of provisions to protect families receiving public and assisted housing assistance. The bill requires HUD to monitor voucher rent burdens and submit an annual report to Congress on the percentage of families nationwide paying more than 30 percent and 40 percent, respectively, of their net income for rent, as well as information on the degree to which voucher families are clustered in lower rent, higher poverty areas, and the extent to which greater geographic distribution of families could be achieved, including by raising payment standards.

The bill also requires PHAs to make public information on local rent burdens, and, if the local percentage of voucher families pay-

ing more than 30 percent or 40 percent of income for rent exceeds the national average, the PHA must either raise the payment standard or explain its reasons for not doing so. It is expected that PHAs would make this decision taking into account a wide range of factors affecting rent burdens, and would also take into account other factors, including the availability of funds and other program goals such as serving additional voucher families. It is expected that numerical percentage calculations of rent burden under this section would not count families paying a minimum rent, as rents paid by such families are unrelated to the payment standard.

HUD is required to approve requests of agencies to raise payment standards in such circumstances, up to 120 percent of the Fair Market Rent (FMR). (HUD's existing statutory authority to approve higher payment standards is not affected). In addition, PHAs are permitted (without HUD approval) to increase payment standards up to 120 percent of the FMR, and HUD may approve higher requests, as a reasonable accommodation for a person with a disability.

To provide for more accurate rent setting, the bill requires HUD to establish FMR areas in the smallest areas for which reliable data is available. This is possible because of the availability of better local rent data under the American Community Survey, which should make it feasible for HUD to implement this new requirement no later than Fiscal year 2009. Setting smaller FMR areas should create more accurate rent levels, thus avoiding rent levels that are too high in the lower cost areas of a larger area and avoiding rent levels that are too low in the higher cost areas. Areas are protected against FMR reductions resulting from this provision that result from a change in the percentile of distribution of rents used to establish the FMR, and tenants are protected against reductions in payment standards resulting from these changes.

The bill protects tenants from unfairly being denied federal rental housing assistance, by limiting a PHA's elective screening of voucher program applicants to an applicant's ability to fulfill the obligations of the lease, including a consideration of any mitigating circumstances. Applicants are required to be notified of the basis of any determination of ineligibility, and are to be given an informal hearing to present mitigating circumstances in such case. The bill also incorporates into statute current regulatory requirements for informal hearings when a PHA proposes to terminate voucher assistance.

The bill protects voucher tenants living rental units in need of repair by requiring PHAs to withhold assistance to any property assisting a voucher holder that fails an inspection and which is not corrected within 90 days, by permitting PHAs to use such withheld assistance to make repairs of such properties, and by prohibiting voucher holders from being evicted because of any such withholding of assistance. This provision is not intended in any way to reduce the obligation of owners to maintain properties and to fix life-threatening defects within 24 hours, but merely to augment options for ensuring that units are properly maintained.

The bill protects families who receive enhanced vouchers in the case of a property prepayment or opt-out who have had their family size reduced, by preventing their eviction when their units are larger than program rules permit for their family size. However, to in-

crease housing opportunities for larger families, the bill provides that such tenants may be forced to move to units of appropriate size located on the premises.

PHA VOUCHER PERFORMANCE ASSESSMENTS

Currently HUD, by administrative action, assesses PHAs on their performance in administering the housing voucher program. The bill creates a statutory requirement for HUD to assess such PHA voucher administrative performance—and establishes the following factors to measure such performance: the quality of units assisted; the extent of utilization of allocated funds and authorized vouchers; the timeliness and accuracy of reporting to HUD; effectiveness in carrying out policies to achieve deconcentration of poverty; the reasonableness of rent burdens; accurate rent calculations and subsidy payments; effectiveness in carrying out family self-sufficiency activities; timeliness of actions related to landlord participation; and such other factors as the HUD Secretary considers appropriate.

As with current Section 8 voucher performance assessments under SEMAP, it is expected that the assessments required under the bill would be made annually.

HEARINGS

The Subcommittee on Housing and Community Opportunity held a hearing on March 9, 2007, on "The Section 8 Voucher Reform Act". The following witnesses testified:

PANEL ONE

- The Honorable Orlando J. Cabrera, Assistant Secretary, Public and Indian Housing, U.S. Department of Housing and Urban Development

PANEL TWO

- Mr. Saul N. Ramirez, Executive Director, National Association of Housing and Redevelopment Officials
- Mr. Curt Hiebert, Executive Director, Keene, New Hampshire, Authority, on behalf of Public Housing Authorities Directors Association
- Ms. Sunia Zaterman, Executive Director, Council of Large Public Housing Authorities
- Mr. John E. Day, President DuPage Housing Authority
- Mr. Richard Godfrey, Executive Director, Rhode Island Housing

PANEL THREE

- Ms. Sheila Crowley, President, National Low Income Housing Coalition
- Ms. Barbara Sard, Director of Housing Policy, Center on Budget and Policy Priorities
- Ms. Janet Charlton, President, Triton Advisors, on behalf of National Leased Housing Association and National Multi Housing Council

• Mr. Andrew Sperling, Director of Government Relations, National Association for the Mentally Ill Consortium of Citizens with Disabilities
• Mr. Phil Tegeler, Poverty & Race Research Action Council

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on May 23, 2007, and on May 24, 2007, ordered H.R. 1851, the Section 8 Voucher Reform Act of 2007, as amended, favorably reported to the House by a record vote of 52 yeas and 9 nays.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. A motion by Mr. Frank to report the bill, as amended, to the House with a favorable recommendation was agreed to by a record vote of 52 yeas and 9 nays (Record vote no. FC–51). The names of Members voting for and against follow:

RECORD VOTE NO. FC–51

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank	X			Mr. Bachus	X		
Mr. Kanjorski				Mr. Baker			
Ms. Waters	X			Ms. Pryce (OH)	X		
Mrs. Maloney	X			Mr. Castle	X		
Mr. Gutierrez				Mr. King (NY)	X		
Ms. Velázquez	X			Mr. Royce		X	
Mr. Watt	X			Mr. Lucas	X		
Mr. Ackerman	X			Mr. Paul		X	
Ms. Carson	X			Mr. Gillmor	X		
Mr. Sherman	X			Mr. LaTourette	X		
Mr. Meeks	X			Mr. Manzullo		X	
Mr. Moore (KS)	X			Mr. Jones	X		
Mr. Capuano				Mrs. Biggert	X		
Mr. Hinojosa	X			Mr. Shays	X		
Mr. Clay	X			Mr. Miller (CA)	X		
Mrs. McCarthy	X			Mrs. Capito	X		
Mr. Baca	X			Mr. Feeney		X	
Mr. Lynch	X			Mr. Hensarling		X	
Mr. Miller (NC)	X			Mr. Garrett (NJ)		X	
Mr. Scott	X			Ms. Brown-Waite)	X		
Mr. Green				Mr. Barrett (SC)		X	
Mr. Cleaver	X			Mr. Gerlach	X		
Ms. Bean				Mr. Pearce	X		
Ms. Moore (WI)	X			Mr. Neugebauer	X		
Mr. Davis (TN)	X			Mr. Price (GA)			
Mr. Sires	X			Mr. Davis (KY)	X		
Mr. Hodes	X			Mr. McHenry			
Mr. Ellison				Mr. Campbell		X	
Mr. Klein	X			Mr. Putnam		X	
Mr. Mahoney (FL)	X			Mrs. Bachmann	X		
Mr. Wilson	X			Mr. Roskam	X		
Mr. Perlmutter	X			Mr. Marchant	X		
Mr. Murphy	X			Mr. McCotter	X		
Mr. Donnelly	X						
Mr. Wexler	X						
Mr. Marshall	X						
Mr. Boren	X						

The following amendments were disposed of by record votes. The names of Members voting for and against follow:

An amendment by Mr. Royce, No. 4, limiting authority to require documents in languages other than English, was not agreed to by a record vote of 27 yeas and 34 nays (Record vote FC–48):

RECORD VOTE NO. FC–48

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski				Mr. Baker	X		
Ms. Waters		X		Ms. Pryce (OH)			
Mrs. Maloney		X		Mr. Castle	X		
Mr. Gutierrez		X		Mr. King (NY)	X		
Ms. Velázquez		X		Mr. Royce	X		
Mr. Watt		X		Mr. Lucas	X		
Mr. Ackerman		X		Mr. Paul	X		
Ms. Carson		X		Mr. Gillmor		X	
Mr. Sherman		X		Mr. LaTourette	X		
Mr. Meeks		X		Mr. Manzullo	X		
Mr. Moore (KS)		X		Mr. Jones			
Mr. Capuano				Mrs. Biggert	X		
Mr. Hinojosa		X		Mr. Shays			
Mr. Clay		X		Mr. Miller (CA)	X		
Mrs. McCarthy		X		Mrs. Capito	X		
Mr. Baca		X		Mr. Feeney			
Mr. Lynch		X		Mr. Hensarling	X		
Mr. Miller (NC)		X		Mr. Garrett (NJ)	X		
Mr. Scott		X		Ms. Brown-Waite	X		
Mr. Green		X		Mr. Barrett (SC)	X		
Mr. Cleaver		X		Mr. Gerlach	X		
Ms. Bean		X		Mr. Pearce	X		
Ms. Moore (WI)		X		Mr. Neugebauer	X		
Mr. Davis (TN)		X		Mr. Price (GA)			
Mr. Sires		X		Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry	X		
Mr. Ellison		X		Mr. Campbell	X		
Mr. Klein		X		Mr. Putnam	X		
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy		X		Mr. McCotter	X		
Mr. Donnelly		X					
Mr. Wexler							
Mr. Marshall							
Mr. Boren		X					

An amendment by Mr. Price (GA), No. 6, regarding the requirement of offsets, was not agreed to by a record vote of 28 yeas and 35 nays (Record vote FC–49):

RECORD VOTE NO. FC–49

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus	X		
Mr. Kanjorski				Mr. Baker	X		
Ms. Waters		X		Ms. Pryce (OH)	X		
Mrs. Maloney		X		Mr. Castle	X		
Mr. Gutierrez		X		Mr. King (NY)	X		
Ms. Velázquez		X		Mr. Royce	X		
Mr. Watt		X		Mr. Lucas	X		
Mr. Ackerman		X		Mr. Paul	X		
Ms. Carson		X		Mr. Gillmor	X		
Mr. Sherman		X		Mr. LaTourette	X		
Mr. Meeks		X		Mr. Manzullo	X		

RECORD VOTE NO. FC–49—Continued

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Moore (KS)		X		Mr. Jones			
Mr. Capuano				Mrs. Biggert		X	
Mr. Hinojosa		X		Mr. Shays			
Mr. Clay		X		Mr. Miller (CA)	X		
Mrs. McCarthy		X		Mrs. Capito	X		
Mr. Baca		X		Mr. Feeney	X		
Mr. Lynch		X		Mr. Hensarling	X		
Mr. Miller (NC)		X		Mr. Garrett (NJ)	X		
Mr. Scott		X		Ms. Brown-Waite	X		
Mr. Green		X		Mr. Barrett (SC)	X		
Mr. Cleaver		X		Mr. Gerlach	X		
Ms. Bean		X		Mr. Pearce	X		
Ms. Moore (WI)		X		Mr. Neugebauer	X		
Mr. Davis (TN)		X		Mr. Price (GA)			
Mr. Sires		X		Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry			
Mr. Ellison		X		Mr. Campbell	X		
Mr. Klein		X		Mr. Putnam	X		
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy		X		Mr. McCotter	X		
Mr. Donnelly		X					
Mr. Wexler							
Mr. Marshall		X					
Mr. Boren		X					

An amendment by Mr. Hensarling, No. 9, imposing work requirements, was not agreed to by a record vote of 28 yeas and 35 nays (Record vote FC–50):

RECORD VOTE NO. FC–50

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Frank		X		Mr. Bachus		X	
Mr. Kanjorski				Mr. Baker	X		
Ms. Waters		X		Ms. Pryce (OH)	X		
Mrs. Maloney		X		Mr. Castle	X		
Mr. Gutierrez		X		Mr. King (NY)	X		
Ms. Velázquez		X		Mr. Royce	X		
Mr. Watt		X		Mr. Lucas	X		
Mr. Ackerman		X		Mr. Paul		X	
Ms. Carson		X		Mr. Gillmor	X		
Mr. Sherman		X		Mr. LaTourette		X	
Mr. Meeks		X		Mr. Manzullo	X		
Mr. Moore (KS)		X		Mr. Jones			
Mr. Capuano				Mrs. Biggert		X	
Mr. Hinojosa		X		Mr. Shays			
Mr. Clay		X		Mr. Miller (CA)	X		
Mrs. McCarthy		X		Mrs. Capito	X		
Mr. Baca		X		Mr. Feeney			
Mr. Lynch		X		Mr. Hensarling	X		
Mr. Miller (NC)		X		Mr. Garrett (NJ)	X		
Mr. Scott		X		Ms. Brown-Waite)	X		
Mr. Green		X		Mr. Barrett (SC)	X		
Mr. Cleaver		X		Mr. Gerlach	X		
Ms. Bean		X		Mr. Pearce	X		
Ms. Moore (WI)		X		Mr. Neugebauer	X		
Mr. Davis (TN)		X		Mr. Price (GA)			
Mr. Sires		X		Mr. Davis (KY)	X		
Mr. Hodes		X		Mr. McHenry	X		
Mr. Ellison		X		Mr. Campbell	X		
Mr. Klein		X		Mr. Putnam	X		

RECORD VOTE NO. FC–50—Continued

Representative	Aye	Nay	Present	Representative	Aye	Nay	Present
Mr. Mahoney (FL)		X		Mrs. Bachmann	X		
Mr. Wilson		X		Mr. Roskam	X		
Mr. Perlmutter		X		Mr. Marchant	X		
Mr. Murphy		X		Mr. McCotter	X		
Mr. Donnelly		X					
Mr. Wexler							
Mr. Marshall	X						
Mr. Boren	X						

The following other amendments were also considered by the Committee:

An amendment by Ms. Waters, No. 1, manager's amendment, was agreed to by a voice vote.

An amendment by Mr. Murphy, No. 2, regarding educational savings accounts, was agreed to by a voice vote.

An amendment by Mr. Green, No. 3, authorizing appropriations, was agreed to, as amended, by a voice vote.

An amendment by Mr. Bachus to the amendment by Mr. Green, No. 3a, a second degree amendment regarding incremental housing units, was agreed to, as modified by unanimous consent, by a voice vote.

An amendment by Mr. Capuano, No. 5, on enhanced vouchers, was agreed to by a voice vote.

An amendment by Mr. Lynch, No. 7, regarding rent burdens, was agreed to by a voice vote.

An amendment by Mr. Watt, No. 8, on screening of applicants, was agreed to by a voice vote.

An amendment by Ms. Moore (WI), No. 10, on demonstration program waiver authority, was agreed to by a voice vote.

An amendment by Mr. Green, No. 11, on contract extension, was agreed to by a voice vote.

An amendment by Mr. Lynch, No. 12, protecting tenants with 95 percent of median income, was agreed to by a voice vote.

An amendment by Mr. Miller (CA), No. 13, on rent reform, was offered and withdrawn.

An amendment by Mr. Miller (CA), No. 14, on time limitation on assistance, was not agreed to by a voice vote.

An amendment by Ms. Waters, No. 15, on enforcement of housing quality standards, was agreed to by a voice vote.

An amendment by Ms. Waters, No. 16, regarding the housing innovation program, was agreed to, as amended, by a voice vote.

An amendment by Mr. Miller (CA), to the amendment by Ms. Waters, No. 16a, a second degree amendment increasing the number of public housing agencies, was agreed to by a voice vote.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee has held hearings and made findings that are reflected in this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee establishes the following performance related goals and objectives for this legislation:

The purpose of H.R. 1851, the "Section 8 Voucher Reform Act of 2007," is to authorize a reliable funding allocation formula for annual renewal of Section 8 housing vouchers, to simplify rent calculation and inspection requirements for Section 8 vouchers, project-based assistance, and public housing, and to promote self-sufficiency on the part of assisted families through work incentives and homeownership opportunities. The bill also expands and renames the "Moving to Work" program, in which public housing agencies undertake innovative housing proposals, with the purpose of identifying models and policies that might be extended to all housing agencies.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 22, 2007.

Hon. BARNEY FRANK,
Chairman, Committee on Financial Services,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1851, the Section 8 Voucher Reform Act of 2007.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Chad Chirico.

Sincerely,

PETER R. ORSZAG,
Director.

Enclosure.

H.R. 1851—Section 8 Voucher Reform Act of 2007

Summary: H.R. 1851 would amend the United States Housing Act of 1937 to change certain aspects of the Department of Housing and Urban Development's (HUD's) rental assistance programs.

The bill would alter calculations of income, tenant rent, and public housing authority (PHA) funding, change requirements for the inspection of housing units, and adjust requirements for the targeting of housing assistance.

CBO estimates that implementing this legislation would have a net cost of $2.4 billion over the 2008–2012 period, assuming appropriation of the necessary amounts.

H.R. 1851 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would benefit state, local, and tribal governments and any costs they incur would result from complying with conditions of federal assistance.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 1851 is shown in the following table. The costs of this legislation fall within budget function 600 (income security).

ESTIMATED BUDGETARY IMPACT OF H.R. 1851

	By fiscal year, in millions of dollars—				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Income Determination Changes:					
Earned Income Disregard:					
Estimated Authorization Level	329	331	334	336	338
Estimated Outlays	197	330	333	335	337
Eliminate Imputed Return on Assets:					
Estimated Authorization Level	15	15	16	16	16
Estimated Outlays	9	15	16	16	16
Changes to Allowances:					
Eliminate Child Care Allowance:					
Estimated Authorization Level	−194	−199	−204	−209	−214
Estimated Outlays	−117	−197	−202	−207	−212
Increase Dependent Allowance:					
Estimated Authorization Level	24	24	24	54	54
Estimated Outlays	14	24	24	42	54
Decrease Medical Expense Allowance:					
Estimated Authorization Level	−192	−203	−213	−225	−236
Estimated Outlays	−115	−198	−209	−220	−231
Increase Elderly and Disabled Allowance:					
Estimated Authorization Level	223	223	241	241	258
Estimated Outlays	134	223	234	241	251
Eligibility and Targeting Changes:					
Income Eligibility:					
Estimated Authorization Level	9	17	18	19	19
Estimated Outlays	5	14	18	18	19
Asset Eligibility:					
Estimated Authorization Level	2	4	4	4	5
Estimated Outlays	1	3	4	4	5
Targeting:					
Estimated Authorization Level	−91	−187	−289	−298	−307
Estimated Outlays	−54	−148	−248	−294	−303
Other Provisions:					
Tenant Protection Vouchers:					
Estimated Authorization Level	9	9	10	10	10
Estimated Outlays	5	9	10	10	10
Program Evaluations:					
Estimated Authorization Level	25	0	0	0	0
Estimated Outlays	2	10	1	1	1

ESTIMATED BUDGETARY IMPACT OF H.R. 1851—Continued

	By fiscal year, in millions of dollars—				
	2008	2009	2010	2011	2012
Rent Burdens:					
Estimated Authorization Level	0	41	46	50	55
Estimated Outlays	0	12	42	47	51
Resident Technical Assistance:					
Estimated Authorization Level	10	10	10	10	10
Estimated Outlays	2	10	10	10	10
Incremental Vouchers:					
Estimated Authorization Level	139	286	439	601	770
Estimated Outlays	122	267	420	580	749
Interactions Among Provisions:					
Estimated Authorization Level	−4	−4	−4	−4	−4
Estimated Outlays	−2	−4	−4	−4	−4
Total Changes:.					
Estimated Authorization Level	304	369	430	604	773
Estimated Outlays	204	371	448	579	752

Basis of estimate: Implementing H.R. 1851 would lead to a net increase in discretionary spending for housing assistance, primarily by increasing the number of tenant-based vouchers eligible for federal assistance, reducing the amount of income that is counted in determining eligibility for such assistance, and increasing allowable deductions for the elderly and disabled. The increase in costs for those provisions (along with other smaller increases) would be partially offset by savings for other program changes, leading to an estimated net increase in cost of $2.4 billion over the 2008–2012 period. All such changes would be subject to appropriation actions.

Background

Over 4.5 million households receive assistance through HUD's various rental assistance programs, including the Section 8 Housing Choice Voucher program, public housing, and other project-based subsidy programs. To be eligible for assistance, family income must be below either 50 percent or 80 percent of the area median income, depending on the program. Targeting requirements in each of the programs establish a minimum percentage of assisted families who must be below 30 percent of the area median income. Assisted tenants generally pay 30 percent of their adjusted monthly income towards rent. Funding from HUD covers the difference between what the tenant pays and the full rent for the unit (up to certain limits). In the case of public housing, HUD provides PHAs with operating and capital funding that allows them to subsidize rents.

Families participating in HUD's rental assistance programs have their incomes certified when they enter the program and at least annually thereafter. Current law allows various adjustments to income prior to calculating a family's rent payment. Families may deduct any medical expenses over 3 percent of income and all child care expenses. In addition, households may deduct $400 from gross income if they include an elderly or disabled member, and all households may deduct $480 for each dependent. As a result of these various deductions, the average adjusted income is approximately 10 percent lower than the average gross income. In 2006, the average family rent payment was about $260 per month and the average subsidy payment was about $530 per month.

For this estimate, CBO assumes the bill will be enacted near the end of fiscal year 2007. In cases where the tenant rent contribution changes, CBO assumes that appropriations will be adjusted to reflect the costs of the changes. In addition, CBO assumes that these changes would not affect the funding requirements for about 300,000 public housing or voucher units covered by Moving-to-Work agreements because those PHAs are funded pursuant to their agreements.

Income determination changes

Earned Income Disregard. Section 3 of the bill would define earned income as the amount of income earned by a family in the prior year less 10 percent of the lower of earnings in the prior year or $10,000. Currently, certain tenants in assisted housing may disregard any income earned in the first year of a new job, and half of the income earned in the second year. Based on information published by HUD, CBO estimates that over $10 million in income is disregarded in this manner each year. Approximately 30 percent of tenants in RUD's rental assistance programs report earned income. The total earned income for those 4 families is about $20 billion each year. Changing the amount disregarded to 10 percent of the first $10,000 of earned income would reduce income (that is counted for purposes of determining housing assistance) by about $1 billion, and would lower tenant rent contributions by about than $330 million each year. Assuming appropriation of the necessary amounts, CBO estimates that this provision would cost $197 million in 2008 and $1.5 billion over the 2008–2012 period. About half of this cost is from the Housing Choice Voucher Program, with the other half split roughly evenly between the public housing and project based subsidy programs.

Imputed Return on Assets. Under current law, housing authorities and property owners calculate a tenant's imputed rate of return on any assets over $5,000 by using an interest rate determined by HUD. If the imputed return on assets is greater than actual income from assets, the imputed return is included in the family's income total. Section 3 would eliminate the calculation of imputed returns. Based on data provided by HUD, CBO estimates that about 6 percent of families (about 260,000) have income from assets, half of which include an imputed return on assets. Under the bill, asset income counted for determining housing assistance would decrease by about $48 million per year. Assuming appropriation of the necessary amounts, CBO estimates that excluding the imputed return on assets would cost about $9 million in 2008 and $72 million over the 2008–2012 period.

Changes to allowances

Child Care Allowance. Families now living in assisted housing may deduct any child care expenses necessary to enable a member of the family to be employed or attend school. Section 3 would eliminate this deduction. Based on data provided by HUD, CBO estimates that about 5 percent of assisted families (about 200,000) claim child care allowances of about $3,000 each. Assuming that appropriations are reduced accordingly, CBO estimates that eliminating the child care allowance would reduce outlays by $117 million in 2008 and $935 million over the 2008–2012 period.

Dependent Allowance. Section 3 also would increase the amount that can be deducted for dependents from $480 to $500, and would inflate that amount each year, rounded down to the nearest multiple of $25. Based on HUD data, CBO estimates that this allowance is currently claimed for about 4 million dependents. About 8 percent of families claiming the allowance would not see any additional benefit from the increase because their adjusted incomes are already at zero. Assuming appropriation of the necessary amounts, CBO estimates that increasing the dependent allowance would cost $14 million in 2008 and $158 million over the 2008–2012 period.

Medical Expense Allowance. Elderly and disabled families currently deduct the amount by which unreimbursed medical expenses exceed 3 percent of the family's income. Based on HUD data for 2005, adjusted to account for the participation of elderly tenants in the Medicare prescription drug program (elderly medical expenses were reduced by one-third), CBO estimates that approximately 20 percent of families claim an average allowance of $1,500 each (for a total of over $1 billion). The bill would decrease the amount of medical expenses that can be deducted to the amount that exceeds 10 percent of the family's income. CBO estimates that this would cut the number of families claiming medical expenses and the total amount claimed in half. Assuming that appropriations are adjusted accordingly, CBO estimates that implementing this provision would save $115 million in 2008 and $974 million over the 2008–2012 period.

Elderly and Disabled Allowance. Section 3 would increase the amount that can be deducted by elderly and disabled households from $400 to $725, and would inflate that amount each year, rounded down to the nearest multiple of$25. Based on data provided by HUD, CBO estimates that this deduction is claimed by about half of assisted households. One percent of families claiming the allowance would not see any additional benefit from the increase because their adjusted incomes are already at zero. Assuming appropriation of the necessary amounts, CBO estimates that increasing the dependent allowance would cost $134 million in 2008 and $1 billion over the 2008–2012 period.

Eligibility and targeting changes

Income Eligibility. Under current law, families with income over 80 percent of the area median income at their initial certification are not eligible for assistance. Eligibility tests are not done after the initial certification (incomes are certified each year to determine tenant rent contribution); therefore, a family may have their income rise above 80 percent of the area median and continue to receive assistance. Section 4 would require families to be below 80 percent of the median at any annual income certification, but would make enforcement of this provision discretionary for families living in public housing or project-based units.

Based on data provided by HUD, CBO estimates that approximately 3,000 families currently receiving assistance (primarily in the tenant-based program) would lose their subsidy. Because there is unmet demand for participation in HUD's rental assistance programs, CBO expects that families made ineligible would be replaced by families on housing authority or property owner waiting lists. Replacing ineligible families with average families would cost

the government an additional $5,400 each (or $450 per month). Assuming appropriation of the necessary amounts, CBO estimates that this provision would cost $5 million in 2008 and $74 million over the 2008–2012 period.

Asset Eligibility. Section 4 also would make any family with over $100,000 in assets ineligible for assistance, but would leave the enforcement of this provision up to the discretion of the PHAs for families living in public housing. Based on HUD data, CBO estimates that about 5,000 families would become ineligible for assistance. Replacing these families with average families would cost the government about $800 each. Assuming appropriation of the necessary amounts, CBO estimates that this provision would cost $1 million in 2008 and $18 million over the 2008–2012 period.

Targeting. Currently, at least 75 percent of families initially provided tenant-based assistance must have incomes that do not exceed 30 percent of the area median income. Section 5 would change this targeting requirement so that at least 75 percent of families initially provided assistance must have incomes that are below the higher of the poverty line or 30 percent of the area median income. Approximately 76 percent of the tenant-based population have incomes below 30 percent of the area median. Adjusting the targeting limit to include the poverty line would increase the number of tenants below the limit to 81 percent. Assuming that housing authorities would issue vouchers in a manner that gradually would move the percent of families under the new targeting limit back to the current level (i.e., near 75 percent), CBO estimates that approximately 84,000 tenants with incomes over the new targeting limit would replace tenants below the limit as vouchers turn over. The subsidy for each new family would be about $3,000 lower than the families being replaced. Assuming that appropriations are reduced accordingly, CBO estimates that the change in voucher targeting would save $54 million in 2008 and $1 billion over the 2008–2012 period.

Section 5 would make a similar change to the targeting requirements for public housing and project-based vouchers. Currently, at least 40 percent of families initially provided assistance through these programs must have incomes that do not exceed 30 percent of the area median income. The bill would change this targeting requirement so that at least 40 percent of families initially provided assistance must have incomes that are below the higher of the poverty line or 30 percent of the area median income. About 75 percent of families in these programs have incomes below 30 percent of the area median. CBO does not anticipate any savings from the change as housing authorities and property owners could currently increase the number of tenants with incomes above 30 percent of the area median and still meet the targeting requirements.

Other provisions

Tenant Protection Vouchers. Section 6 would require HUD, subject to the availability of appropriations, to issue tenant-protection vouchers to replace dwelling units that cease to be available as assisted housing. Currently, HUD only issues tenant-protection vouchers for occupied units. Over the past five years, HUD has issued an average of 26,000 tenant-protection vouchers each year. Based on information provided by HUD, CBO estimates that about

1,300 additional vouchers would be issued each year (assuming a 95 percent occupancy rate for properties losing assistance) at an average cost of $6,700. Assuming appropriation of the necessary amounts, CBO estimates that this provision would cost $5 million in 2008 and $44 million over the 2008–2012 period.

Program Evaluations. Sections 7 and 16 would authorize the appropriation of a total of $25 million to conduct evaluations of the Family-Self-Sufficiency (FSS) and Housing Innovation programs. Reports to Congress on the FSS program would be due after four and eight years. Reports on the Housing Innovation Program, which would be the successor to the Moving-to-Work program, would be due one year after half of the program's participants have been selected. Assuming appropriation of the authorized amounts, CBO estimates that conducting the program evaluations would cost $16 million over the 2008–2012 period, with additional amounts spent in later years.

Rent Burdens. Section 12 would direct HUD to monitor rent burdens in the Housing Choice Voucher program and report each year on the percentage of families who pay more than 30 percent and 40 percent of their adjusted incomes for rent. A family may pay more than 30 percent of adjusted income if the rent for their unit is greater than the voucher's payment standard. In those instances, the PHA will pay the difference between 30 percent of the family's adjusted income and the payment standard, and the family will pay the difference between the payment standard and the rent (in addition to 30 percent of their adjusted monthly income). PHAs that are above the national average in either category would be required to increase their payment standard or explain their reasons for not making an adjustment. Under current law, PHAs can set payment standards between 90 and 110 percent of the Fair Market Rent (FMR) without HUD approval and can set their payment standards higher or lower with HUD approval. The FMR typically represents the 40th percentile rent in a PHA's local market. Under this provision, PHAs with above-average rent burdens could set payment standards up to 120 percent of the FMR without approval from HUD.

Based on HUD data, CBO estimates that nearly one-half of families in the voucher program pay more than 30 percent of their adjusted income for rent and about one in five pay more than 40 percent. Approximately 60 percent of PHAs (administering about 60 percent of vouchers) have rent burden averages above the national average in at least one category and would be required to increase payment standards or provide an explanation for not doing so. About 17 percent of the vouchers at PHAs with above average rent burdens have payment standards at 110 percent of FMR, the current maximum possible without HUD approval. CBO assumes that some PHAs with above average rent burdens would increase the payment standard beyond 110 percent to reduce rent burdens and improve the rate at which families who are issued vouchers succeed in finding units to rent and some will decide to not increase the payment standard in order to stretch available funding to cover more families. CBO estimates that, assuming appropriation of the necessary amounts, this provision would increase the payment standard for those vouchers at the current maximum by an average of 5 percentage points.

Increasing the payment standard by 5 percentage points for vouchers at the national limit at PHAs with rent burdens above the national average would increase the Housing Assistance Payment (HAP) for 47 percent of those units (or about 5 percent of total vouchers) by an average of $470 per year. The remaining 53 percent of the units at those PHAs would not have a HAP change because the rent is below the existing payment standard. Because PHAs may currently set payment standards up to 110 percent without HUD approval, CBO does not estimate a change in authorization levels for vouchers that have payment standards below that maximum.

The estimated changes to payment standards and increases in HAP would lower the percent of the program's families paying more than 30 percent of adjusted income for rent by about 1 percentage point (down to 45 percent). In the following years, the majority of PHAs that are currently above the national rent burden average would remain above average. CBO estimates that about 2 percent of PHAs, administering about 2 percent of vouchers, would have rent burdens above the national average for the first time in the year following the initial payment standard changes. CBO estimates that the payment standards and HAPs for those vouchers would change in a manner similar to those that changed in the first year. Thereafter, CBO estimates that this provision will not significantly change the national average of families paying more than 30 percent of income in rent as few PHAs will be newly above average each year.

In addition to increasing the HAP for some existing vouchers, CBO estimates that increasing the payment standard above 110 percent of FMR will also increase the average HAP for the 10 percent of vouchers that turn over each year. The current average payment standard for the units estimated to have a payment standard increase is about $860 and the average HAP is $535. After increasing the payment standard by an average of 5 percentage points of FMR the new average would be about $900. Assuming a similar ratio between payment standard and HAP, CBO estimates that the average HAP for turnover vouchers would be about $560, an increase of about $25 per month.

In total, CBO estimates that, assuming appropriation of the necessary amounts, the rent burden provision would cost $12 million in 2009 and $153 million over the 2009–2012 period.

Resident Technical Assistance. Section 16 would authorize the appropriation of $10 million for each of fiscal years 2008 through 2012 to provide technical assistance to low-income families assisted under the Housing Innovation Program. Such assistance is intended to help families participate in a housing authority's process of developing an annual plan. Assuming appropriation of the authorized amounts, CBO estimates that providing resident technical assistance would cost $42 million over the 2009–2012 period.

Incremental Vouchers. Section 18 would authorize the appropriation of such sums as are necessary to assist 20,000 new tenant-based vouchers per year for each of fiscal years 2008 through 2012. Based on HUD data, CBO estimates that the average annual cost of a tenant-based voucher is currently about $6,700. Assuming appropriation of the necessary amounts and adjusting for projected changes in rents and tenant incomes, CBO estimates that increas-

ing the total number of vouchers by 100,000 by 2012 would cost $2.1 billion over the 2008–2012 period.

Interactions among provisions

The overall increase in estimated costs of H.R. 1851 is slightly less than the sum of the individual provisions because some of those provisions interact. For example, making families with assets over $100,000 ineligible would reduce the number of families with incomes that include an imputed return on assets. On balance, the interactions among the provisions of H.R. 1851 would reduce outlays by $18 million over the 2008–2012 period, assuming appropriation actions consistent with the bill's provisions.

Intergovernmental and private-sector impact: H.R. 1851 contains no intergovernmental or private-sector mandates as defined in UMRA. State, local, and tribal governments would benefit from housing assistance activities authorized in the bill. Any costs those governments incur to comply with grant requirements would result from conditions of federal assistance.

Estimate prepared by: Federal Costs: Chad Chirico; Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum; Impact on the Private Sector: Page Shevlin.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds that the Constitutional Authority of Congress to enact this legislation is provided by Article 1, section 8, clause 1 (relating to the general welfare of the United States) and clause 3 (relating to the power to regulate interstate commerce).

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

EARMARK IDENTIFICATION

H.R. 1851 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of rule XXI.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

Short title identifying the bill as the "Section 8 Voucher Reform Act of 2007."

Section 2. Inspection of dwelling units

Makes a number of changes to the inspection and re-inspection requirements for rental housing units that serve Section 8 voucher holders. Retains the initial inspection requirement, except permits occupancy and payments to be made for up to 30 days if a unit fails inspection as a result only of non-life threatening conditions. In such case, payments must be suspended after 30 days if the deficiencies are not corrected. Also allows a PHA to permit occupancy prior to inspection if another federal program inspection meeting federal Housing Quality Standards (HQS) has been made within the preceding 12 months, and to make payments to the owner retroactive to the beginning of the lease term when an inspection is subsequently completed.

Changes the annual re-inspection requirement to a requirement that properties be re-inspected at least every two years. Permits use of inspections under a federal, state, or local housing assistance program in lieu of a public housing agency (PHA) voucher re-inspection, providing the PHA certifies such inspection provides comparable standards to federal HQS. Requires PHAs to withhold assistance to any property assisting a voucher holder that fails an inspection and which is not corrected within 90 days, permits PHAs to use such withheld assistance to make repairs of such properties, and prohibits voucher holders from being evicted because of any such withholding of assistance.

Section 3. Rent reform and income reviews

Recertification. Modifies annual certification requirement for the Section 8 voucher program and project-based assistance and for public housing to permit PHAs to recertify "fixed income" families (those with more than 90 percent of income from a combination of Social Security, SSI, governmental and private pensions, and similar periodic payments) only every three years. Provides for interim recertifications only if unearned annual income increases by $1,500 or if a family requests a recertification if its income falls by $1,500 or more (or such lesser amount as the PHA may establish).

Simplification. Includes a number of provisions to simplify the rent calculation process for the Section 8 voucher program and project-based assistance and for public housing. Raises the standard deduction for elderly and disabled families from $400 to $725 a year, raises the standard deduction for dependents from $480 to $500 a year, and indexes both amounts in subsequent years for inflation, in $25 increments. Eliminates income deductions for child care expenses, and child and spousal support. Raises the threshold for calculating medical and handicapped assistance expense deductions from counting such expenses over 3 percent to counting such expenses over 10 percent of net income.

Contains administrative simplification provisions—including relieving PHAs of responsibility to maintain records of HUD-required miscellaneous income exclusions, use of a HUD-prescribed inflation

adjustment for fixed income families, permitting PHA safe harbor reliance on other governmental income determinations (e.g., Medicaid, TANF), and permitting PHAs to make other appropriate adjustments when using prior year's calculations of other types of income.

Work and Education Incentives: Requires use of a family's prior year's earned income. Also exempts 10 percent of the first $10,000 of such earned income. Exempts income of minors (except for heads of households or their spouses) and of adult dependents that are full time students, and exempts grant-in-aid or scholarship amounts used for tuition or books. Exempts income from Coverdell education accounts and Section 529 qualified tuition programs.

Impact on Public Housing Revenues. Requires HUD to make public housing operating funding formula adjustments to reflect non de minimus reductions in individual PHA's rental income arising from rent reforms, during the period that revenue is frozen under the asset management rule. Also requires HUD to submit to Congress, for both Fiscal Years 2008 and 2009, a report identifying and calculating the impact of rent reforms on public housing costs and revenues.

Section 4. Eligibility for assistance based on assets and income

Creates a new asset limit and residency ownership prohibition, for both initial eligibility and for ongoing annual recertification, for voucher, public housing, and Section 8 project-based assistance. The provision prohibits any family from having either (a) more than $100,000 in net assets or (b) an ownership in a residence suitable for occupancy. Excludes from this asset limit homeownership equity accounts and family self-sufficiency accounts, personal property (except for items of significant value), retirement and education savings account assets, and amounts from certain disability lawsuits. Permits a PHA or owner to rely on self-certification of assets by the assisted family. Excludes from the residence provision homes paid for by assistance under the 1937 Housing Act, victims of domestic violence, and families making a good faith effort to sell a property. PHAs may elect not to enforce limits for public housing residents at recertification, and PHAs and project-based owners may delay eviction or termination of families not meeting asset and residence restrictions for up to six months.

Extends the 80 percent of local median income limitation that applies to initial occupancy to an annual recertification for continued program eligibility (except that income rules for enhanced vouchers are maintained and families initially permitted to have incomes up to 95 percent of median income that stay below that income level may continue to be assisted). PHAs and owners may elect not to enforce this income limitation for residents of public housing or project-based Section 8 units, and PHAs and owners may delay eviction or termination for up to six months.

Section 5. Targeting vouchers to low income working families

Modifies basic income targeting threshold of 30 percent of local area median income for Section 8 vouchers, public housing, and project-based Section 8 [under which 75 percent of new vouchers and 40 percent of new public housing and project-based residents must have adjusted incomes below this threshold]. The threshold

is modified to be the higher of this 30 percent of local area median income calculation or the national poverty level for the appropriate family size. This change does not apply to Puerto Rico and other federal territories.

Section 6. Voucher funding renewal

Authorizes such sums as may be necessary for the period of Fiscal Year 2008 through 2012 for the renewal of expiring Section 8 vouchers, and for new tenant protection, enhanced vouchers, and other special purpose vouchers. Requires HUD to issue tenant protection vouchers [including enhanced vouchers under Section 8(t)] for all public and assisted housing units that are lost (not just those occupied at time of application for such tenant replacement vouchers).

Provides that the pro rata voucher funding allocation for PHAs is recalculated each year, based on a PHA's leasing and cost data from the prior calendar year. Such calculation is adjusted for an annual inflation adjustment (based on the smallest geographical areas for which data is annually available), and is also adjusted for the first time renewal of tenant protection and enhanced vouchers, for vouchers set aside for project-based assistance, for vouchers ported in the prior year, and for such other adjustments as HUD considers appropriate, including adjustments for natural and other major disasters. Funding is authorized for "overleasing" (i.e., serving more than a PHA's number of authorized voucher families), by including such overleasing costs in a subsequent year's funding allocation—except that funding calculations for 2009 may not include vouchers in 2008 that were funded by reserves and which exceed 103 percent of that PHA's authorized voucher level. Provides for proration if overall funding is insufficient to meet nationwide costs. HUD is required to allocate all funds by the later of February 15th or 45 days after enactment of the appropriations bill funding the renewals.

PHAs are entitled to retain unobligated carryover voucher funds equal to one twelfth (8.33 percent) of their annual allocation at the end of 2007 and 5 percent in each succeeding year, to be maintained as voucher reserves. If a PHA has reserves of less than 2 percent, it can receive an advance of up to 2 percent in the last three months of a year to cover overages, which it "repays" through an offsetting funding reduction in the next year's funding allocation. At the end of each year, HUD is required to recapture amounts in excess of each PHA's reserve limit. HUD is required to make available all such recaptured funds no later than May 1st, first for reimbursement for increased costs related to portability and family self-sufficiency escrow accounts, and next for reallocation to PHAs for increased voucher leasing, with priority given to PHAs based on the extent they have used their funding allocations to serve eligible families.

PHAs are required to absorb ported vouchers from other PHAs, with priority to receive funds from the annual reallocation of recaptured excess funds.

HUD is required to develop and issue guidance to PHAs that received incremental vouchers for non-elderly disabled families between 1997 and 2002 to ensure that such vouchers continue to be provided to such families upon voucher turnover.

Section 7. Administrative fees

Re-states the statutory requirement that voucher administrative fees shall be based on the number of vouchers in use. Retains the Fiscal Year 2003 per unit fee as a baseline, along with subsequent annual inflation adjustments using an index of wage data changes or other measurable data that reflect such costs of administration. Provides that voucher administrative fees also include an amount for the cost of issuing new vouchers.

Provides that voucher administrative fees include an amount for Family Self Sufficiency costs, as authorized by Section 23. Fees are generally provided based on the number of coordinators employed and the number of families being served. Funding shall be provided for agencies that received funding for 3 or more self-sufficiency coordinators anytime from FY 1998 to FY 2007. Provides for proration if insufficient funds are appropriated to meet all costs under this provision.

Section 8. Homeownership downpayment program

Permits voucher funds to be used for a down payment for a first-time home purchase, as a one-time grant in an amount not exceeding $10,000, for families who have been receiving voucher assistance for a period of at least one year.

Facilitates use of vouchers for the full cost of purchasing manufactured homes sited on leased land, by permitting voucher funds to be used for both the cost of leasing the land, plus monthly home purchase costs, including property taxes, insurance, and tenant-paid utilities.

Section 9. PHA reporting of rent payments to credit reporting agencies

Authorizes a PHA to submit information regarding rental payment history for voucher tenants to credit reporting agencies, providing the family agrees to such submission.

Section 10. Performance assessments

Provides statutory authority and requirements for HUD to assess the performance of PHAs in administering their local voucher programs, measuring the following factors: quality of units assisted, extent of utilization of allocated funds and authorized vouchers, timeliness and accuracy of reporting to HUD, effectiveness in carrying out policies to achieve deconcentration of poverty, reasonableness of rent burdens, accurate rent calculations and subsidy payments, effectiveness in carrying out family self-sufficiency activities, timeliness of actions related to landlord participation, and such other factors as the HUD Secretary considers appropriate.

Section 11. PHA Project-based assistance

Provides that Section 8 rents shall not be reduced by virtue of being used in conjunction with low income housing tax credits. Increases the percentage of vouchers a PHA can project base from 20 percent to 25 percent, with authority to go 5 percent higher to serve homeless persons. Increases the percentage of vouchers that can be project-based in any project to the greater of 25 dwelling units or 25 percent of the units in a project, with authority to go up to 50 percent in areas where vouchers are hard to use. Permits

project-based vouchers to be used in cooperative housing, and in high rise elevator projects occupied by families with children. Increases the maximum voucher contract term from 10 to 15 years. Eliminates requirement for subsidy layering review by HUD for the project-basing of vouchers in existing buildings, and whenever a review has already been conducted by an applicable state or local agency. Eliminates an environmental review for project-basing of vouchers, unless otherwise required by statute or regulation. Clarifies that lease and tenancy provisions pertaining to Section 8 vouchers shall apply to project-basing of vouchers, except for requirements concerning the minimum lease term. Permits owners using project-based vouchers to maintain site-based waiting lists, subject to PHA oversight.

Section 12. Rent burdens

Requires HUD to monitor voucher rent burdens and submit an annual report to Congress on the percentage of families nationwide paying more than 30 percent and 40 percent, respectively, of their adjusted income for rent. Requires HUD to submit an annual report to Congress on the degree to which voucher families are clustered in lower rent, higher poverty areas, and the extent to which greater geographic distribution of families could be achieved, including raising payment standards.

Requires PHAs to make public information on local rent burdens, and, if the local percentage of voucher families paying more than 30 percent or 40 percent of income for rent exceeds the national average, the PHA must either raise the payment standard or explain its reasons for not doing so. HUD is required to approve requests of agencies to raise payment standards in such circumstances, up to 120 percent of FMR. HUD is also required to approve requests by PHAs to increase payment standards up to 120 percent of the Fair Market Rent, and HUD may approve higher requests, as a reasonable accommodation for a person with a disability.

Section 13. Establishment of fair market rent

Generally requires HUD to set geographical areas for the purpose of establishing Fair Market Rents (FMR) in as wide a range of communities as is feasible, including requiring separate areas for each urban county and metropolitan city with over 40,000 rental units. HUD is required to approve requests for contiguous areas with similar housing market characteristics with as few as 20,000 rental units if adequate data exists to establish reliable FMRs. Areas are protected against FMR reductions resulting from a change in the percentile of distribution of rents used to establish the FMR, and tenants are protected against reductions in payment standards resulting from these provisions.

Section 14. Screening of applicants

Limits a PHA's elective screening of applicants to an applicant's ability to fulfill the obligations of the lease, including a consideration of any mitigating circumstances. Applicants and current participants are required to be notified of the basis of any determination of ineligibility, and are to be given an informal hearing to present mitigating circumstances in such case.

Section 15. Enhanced vouchers

Provides that families may receive enhanced vouchers in the case of a property prepayment or opt out even if they reside in oversized units except that such tenants may be forced to move to units of appropriate size located on the premises.

Section 16. Housing innovation program

Renames the "Moving to Work" (MTW) program as the "Housing Innovation Program" (HIP). HUD is required to carry out this revised program, under which HUD may designate not more than 60 PHAs (including all existing MTW agencies approved for continuation). HUD is authorized to designate an additional 20 PHAs [so-called "HIP-lite" agencies] under additional program limitations. The program is extended for a 10-year period.

HUD is required to approve existing MTW agencies [of which there are 25] for continued eligibility, provided they are not in default under their agreement and provided HUD determines they are meeting their goals and objectives. Such agencies must make changes to existing policies to bring them in line with the program's new rules within 2 years of enactment.

Regarding newly selected agencies for program participation: no more than five may be "near-troubled agencies," and agencies shall be selected to provide for diversity with respect to size, geography, and areas served (urban, suburban, and rural). Applicants must have held two public meetings on their HIP proposal, preceded by 30 days prior notice to residents and the local community. Agencies shall be selected based on criteria to be established by HUD which include the extent to which the proposal generally identifies rules and regulations to be waived and why participation is necessary to achieve its goals and objectives, the extent of local commitment and funding, the extent to which the applicant has a history of success in pursuing similar strategies, and whether the proposal pursues one of two stated priorities strategies—which are (1) development, rehabilitation, and financing, and (2) rent reforms.

Identifies a list of activities which can by undertaken using HIP funds. Requires that a PHA must assist not less than substantially the same number of low income families, with a comparable mix of families by family size. A number of existing statutory requirements are retained, including income targeting, Section 18 demolition and disposition rules, a number of tenant protections including lease requirements and eviction protections, and other provisions. A number of procedural, PHA plan, and tenant participation requirements are spelled out for any PHA policy changes under the program that would make a material change to tenant rents or contributions or to conditions of continued occupancy or participation.

Additionally, the 20 HIP-lite agencies must comply with statutory rent requirements, may not impose time limits or work requirements, are subject to a one for one replacement requirement, and must include more extensive resident participation in any plan which provides for demolition or disposition of public housing units.

HUD must perform evaluations of agencies participating in the program (or may contract out such responsibility to an independent entity qualified to perform such task). Such evaluations must use perform ance measures and identify models that can be replicated

by other agencies to achieve success. HUD is required to submit evaluation reports at 3-, 5-, and 10-year periods.

$10 million is authorized in each of the years FY 2008 through FY 2012 for capacity building and technical assistance to enhance capabilities of low income families assisted under the program. $15 million is authorized for HUD to conduct the required evaluations.

Section 17. Demonstration program waiver authority

HUD is authorized to enter into agreements with the Social Security Administration and the Secretary of Health and Human Services to allow for participation in state demonstration programs designed to permit persons with significant disabilities to be employed and continue to receive a range of federal benefits. HUD is authorized to permit a partial or complete disregard of increases in earned income for persons participating in any such demonstration for the purpose of calculating rent contributions in Section 8 housing.

Section 18. Authorization of Appropriations

Authorizes to be appropriated the amount necessary in each of Fiscal Year 2008 through 2012 to provide incremental vouchers for 20,000 families each year.

Section 19. Effective date

Provides that provisions of bill take effect on January 1, 2008, except where otherwise noted.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

UNITED STATES HOUSING ACT OF 1937

* * * * * * *

TITLE I—GENERAL PROGRAM OF ASSISTED HOUSING

* * * * * * *

RENTAL PAYMENTS; DEFINITIONS

SEC. 3. (a)(1) *LOW-INCOME OCCUPANCY REQUIREMENT AND RENTAL PAYMENTS*.—[Dwelling units assisted under this Act shall be rented only to families who are low-income families at the time of their initial occupancy of such units.] *Dwelling units assisted under this Act may be rented, and assistance under this Act may be provided, whether initially or at time of recertification, only to families who are low-income families at the time such initial or continued assistance, respectively, is provided, except that families residing in dwelling units as of the date of the enactment of the Section 8 Voucher Reform Act of 2007 that, under agreements in effect*

on such date of enactment, may have incomes up to 95 percent of local area median income shall continue to be eligible for assistance at recertification as long as they continue to comply with such income restrictions. When recertifying family income with respect to families residing in public housing dwelling units, a public housing agency may, in the discretion of the agency and only pursuant to a policy that is set forth in the public housing agency plan under section 5A for the agency, choose not to enforce the prohibition under the preceding sentence. When recertifying family income with respect to families residing in dwelling units for which project-based assistance is provided, a project owner may, in the owner's discretion and only pursuant to a policy adopted by such owner, choose not to enforce such prohibition. In the case of a family residing in a dwelling unit assisted under this Act who does not comply with the prohibition under the first sentence of this paragraph, the public housing agency or project owner may delay eviction or termination of the family based on such noncompliance for a period of not more than 6 months. Reviews of family income shall be made at least annually. Except as provided in paragraph (2) and subject to the requirement under paragraph (3), a family shall pay as rent for a dwelling unit assisted under this Act (other than a family assisted under section 8(o) or (y) or paying rent under section 8(c)(3)(B)) the highest of the following amounts, rounded to the nearest dollar:

* * * * * * *

(6) REVIEWS OF FAMILY INCOME.—

(A) FREQUENCY.—Reviews of family income for purposes of this section shall be made—

(i) in the case of all families, upon the initial provision of housing assistance for the family;

(ii) annually thereafter, except as provided in subparagraph (B)(i);

(iii) upon the request of the family, at any time the income or deductions (under subsection (b)(5)) of the family change by an amount that is estimated to result in a decrease of $1,500 (or such lower amount as the public housing agency may, at the option of the agency or owner, establish) or more in annual adjusted income; and

(iv) at any time the income or deductions (under subsection (b)(5)) of the family change by an amount that is estimated to result in an increase of $1,500 or more in annual adjusted income, except that any increase in the earned income of a family shall not be considered for purposes of this clause (except that earned income may be considered if the increase corresponds to previous decreases under clause (iii)), except that a public housing agency or owner may elect not to conduct such review in the last three months of a certification period.

(B) FIXED-INCOME FAMILIES.—

(i) SELF CERTIFICATION AND 3-YEAR REVIEW.—In the case of any family described in clause (ii), after the initial review of the family's income pursuant to subparagraph (A)(i), the public housing agency or owner shall not be required to conduct a review of the family's income pursuant to subparagraph (A)(ii) for any year for

which such family certifies, in accordance with such requirements as the Secretary shall establish, that the income of the family meets the requirements of clause (ii) of this subparagraph, except that the public housing agency or owner shall conduct a review of each such family's income not less than once every 3 years.

(ii) ELIGIBLE FAMILIES.—A family described in this clause is a family who has an income, as of the most recent review pursuant to subparagraph (A) or clause (i) of this subparagraph, of which 90 percent or more consists of fixed income, as such term is defined in clause (iii).

(iii) FIXED INCOME.—For purposes of this subparagraph, the term "fixed income" includes income from—

(I) the supplemental security income program under title XVI of the Social Security Act, including supplementary payments pursuant to an agreement for Federal administration under section 1616(a) of the Social Security Act and payments pursuant to an agreement entered into under section 212(b) of Public Law 93–66;

(II) Social Security payments;

(III) Federal, State, local and private pension plans; and

(IV) other periodic payments received from annuities, insurance policies, retirement funds, disability or death benefits, and other similar types of periodic receipts.

(C) IN GENERAL.—Reviews of family income for purposes of this section shall be subject to the provisions of section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988.

(7) CALCULATION OF INCOME.—

(A) USE OF PRIOR YEAR'S INCOME.—Except as otherwise provided in this paragraph, in determining the income of a family for a year, a public housing agency or owner may use the income of the family as determined by the agency or owner for the preceding year, taking into consideration any redetermination of income during such prior year pursuant to clause (iii) or (iv) of paragraph (6)(A).

(B) EARNED INCOME.—For purposes of this section, the earned income of a family for a year shall be the amount of earned income by the family in the prior year minus an amount equal to 10 percent of the lesser of such prior year's earned income or $10,000, except that the income of a family for purposes of section 16 (relating to eligibility for assisted housing and income mix) shall be determined without regard to any reduction under this subparagraph.

(C) INFLATIONARY ADJUSTMENT FOR FIXED INCOME FAMILIES.—If, for any year, a public housing agency or owner determines the income for any family described in paragraph (6)(B)(ii), or the amount of fixed income of any other family, based on the prior year's income or fixed income, respectively, pursuant to subparagraph (A), such prior year's income or fixed income, respectively, shall be adjusted by

applying an inflationary factor as the Secretary shall, by regulation, establish.

(D) OTHER INCOME.—If, for any year, a public housing agency or owner determines the income for any family based on the prior year's income, with respect to prior year calculations of types of income not subject to subparagraph (B), a public housing agency or owner may make other adjustments as it considers appropriate to reflect current income.

(E) SAFE HARBOR.—A public housing agency or owner may, to the extent such information is available to the public housing agency or owner, determine the family's income for purposes of this section based on timely income determinations made for purposes of other means-tested Federal public assistance programs (including the program for block grants to States for temporary assistance for needy families under part A of title IV of the Social Security Act, a program for medicaid assistance under a State plan approved under title XIX of the Social Security Act, and the food stamp program as defined in section 3(h) of the Food Stamp Act of 1977). The Secretary shall, in consultation with other appropriate Federal agencies, develop procedures to enable public housing agencies and owners to have access to such income determinations made by other Federal programs.

(F) PHA AND OWNER COMPLIANCE.—A public housing agency or owner may not be considered to fail to comply with this paragraph or paragraph (6) due solely to any de minimus errors made by the agency or owner in calculating family incomes.

(b) When used in this Act:

(1) * * *

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[(4) The term "income" means income from all sources of each member of the household, as determined in accordance with criteria prescribed by the Secretary, in consultation with the Secretary of Agriculture, except that any amounts not actually received by the family and any amounts which would be eligible for exclusion under section 1613(a)(7) of the Social Security Act (42 U.S.C. 1382b(a)(7)) may not be considered as income under this paragraph.

[(5) ADJUSTED INCOME.—The term "adjusted income" means, with respect to a family, the amount (as determined by the public housing agency) of the income of the members of the family residing in a dwelling unit or the persons on a lease, after any income exclusions as follows:

[(A) MANDATORY EXCLUSIONS.—In determining adjusted income, a public housing agency shall exclude from the annual income of a family the following amounts:

[(i) ELDERLY AND DISABLED FAMILIES.—$400 for any elderly or disabled family.

[(ii) MEDICAL EXPENSES.—The amount by which 3 percent of the annual family income is exceeded by the sum of—

[(I) unreimbursed medical expenses of any elderly family or disabled family;

[(II) unreimbursed medical expenses of any family that is not covered under subclause (I), except that this subclause shall apply only to the extent approved in appropriation Acts; and

[(III) unreimbursed reasonable attendant care and auxiliary apparatus expenses for each handicapped member of the family, to the extent necessary to enable any member of such family (including such handicapped member) to be employed.

[(iii) CHILD CARE EXPENSES.—Any reasonable child care expenses necessary to enable a member of the family to be employed or to further his or her education.

[(iv) MINORS, STUDENTS, AND PERSONS WITH DISABILITIES.—$480 for each member of the family residing in the household (other than the head of the household or his or her spouse) who is less than 18 years of age or is attending school or vocational training on a full-time basis, or who is 18 years of age or older and is a person with disabilities.

[(v) CHILD SUPPORT PAYMENTS.—Any payment made by a member of the family for the support and maintenance of any child who does not reside in the household, except that the amount excluded under this clause may not exceed $480 for each child for whom such payment is made; except that this clause shall apply only to the extent approved in appropriations Acts.

[(vi) SPOUSAL SUPPORT EXPENSES.—Any payment made by a member of the family for the support and maintenance of any spouse or former spouse who does not reside in the household, except that the amount excluded under this clause shall not exceed the lesser of (I) the amount that such family member has a legal obligation to pay, or (II) $550 for each individual for whom such payment is made; except that this clause shall apply only to the extent approved in appropriations Acts.

[(vii) EARNED INCOME OF MINORS.—The amount of any earned income of a member of the family who is not—

[(I) 18 years of age or older; and

[(II) the head of the household (or the spouse of the head of the household).

[(B) PERMISSIVE EXCLUSIONS FOR PUBLIC HOUSING.—In determining adjusted income, a public housing agency may, in the discretion of the agency, establish exclusions from the annual income of a family residing in a public housing dwelling unit. Such exclusions may include the following amounts:

[(i) EXCESSIVE TRAVEL EXPENSES.—Excessive travel expenses in an amount not to exceed $25 per family per week, for employment- or education-related travel.

[(ii) EARNED INCOME.—An amount of any earned income of the family, established at the discretion of the public housing agency, which may be based on—

[(I) all earned income of the family,

[(II) the amount earned by particular members of the family;

[(III) the amount earned by families having certain characteristics; or

[(IV) the amount earned by families or members during certain periods or from certain sources.

[(iii) OTHERS.—Such other amounts for other purposes, as the public housing agency may establish.]

(4) INCOME.—The term "income" means, with respect to a family, income received from all sources by each member of the household who is 18 years of age or older or is the head of household or spouse of the head of the household, plus unearned income by or on behalf of each dependent who is less than 18 years of age, as determined in accordance with criteria prescribed by the Secretary, in consultation with the Secretary of Agriculture, subject to the following requirements:

(A) INCLUDED AMOUNTS.—Such term includes recurring gifts and receipts, actual income from assets, and profit or loss from a business.

(B) EXCLUDED AMOUNTS.—Such term does not include—

(i) any imputed return on assets; and

(ii) any amounts that would be eligible for exclusion under section 1613(a)(7) of the Social Security Act (42 U.S.C. 1382b(a)(7)).

(C) EARNED INCOME OF STUDENTS.—Such term does not include earned income of any dependent earned during any period that such dependent is attending school on a full-time basis or any grant-in-aid or scholarship amounts related to such attendance used for the cost of tuition or books.

(D) EDUCATIONAL SAVINGS ACCOUNTS.—Income shall be determined without regard to any amounts in or from, or any benefits from, any Coverdell education savings account under section 530 of the Internal Revenue Code of 1986 or any qualified tuition program under section 529 of such Code.

(E) OTHER EXCLUSIONS.—Such term shall not include other exclusions from income as are established by the Secretary or any amount required by Federal law to be excluded from consideration as income. The Secretary may not require a public housing agency or owner to maintain records of any amounts excluded from income pursuant to this subparagraph.

(5) ADJUSTED INCOME.—The term "adjusted income" means, with respect to a family, the amount (as determined by the public housing agency or owner) of the income of the members of the family residing in a dwelling unit or the persons on a lease, after any deductions from income as follows:

(A) ELDERLY AND DISABLED FAMILIES.—$725 in the case of any family that is an elderly family or a disabled family.

(B) DEPENDENTS.—In the case of any family that includes a member or members who—

(i) are less than 18 years of age or attending school or vocational training on a full-time basis; or

(ii) is a person with disabilities who is 18 years of age or older and resides in the household,

$500 for each such member.

(C) HEALTH AND MEDICAL EXPENSES.—The amount, if any, by which 10 percent of annual family income is exceeded by the sum of—

(i) in the case of any elderly or disabled family, any unreimbursed health and medical care expenses; and

(ii) any unreimbursed reasonable attendant care and auxiliary apparatus expenses for each handicapped member of the family, to the extent necessary to enable any member of such family to be employed.

(D) PERMISSIVE DEDUCTIONS.—Such additional deductions as a public housing agency may, at its discretion, establish, except that the Secretary shall establish procedures to ensure that such deductions do not increase Federal expenditures.

The Secretary shall annually adjust the amounts of the exclusions under subparagraphs (A) and (B), as such amounts may have been previously adjusted, by applying an inflationary factor as the Secretary shall, by regulation, establish. If the dollar amount of any such exclusion determined for any year by applying such inflationary factor is not a multiple of $25, the Secretary shall round such amount to the next lowest multiple of $25.

* * * * * * *

[(d) DISALLOWANCE OF EARNED INCOME FROM RENT DETERMINATIONS.—

[(1) IN GENERAL.—Notwithstanding any other provision of law, the rent payable under subsection (a) by a family described in paragraph (3) of this subsection may not be increased as a result of the increased income due to such employment during the 12-month period beginning on the date on which the employment is commenced.

[(2) PHASE-IN OF RENT INCREASES.—Upon the expiration of the 12-month period referred to in paragraph (1), the rent payable by a family described in paragraph (3) may be increased due to the continued employment of the family member described in paragraph (3)(B), except that during the 12-month period beginning upon such expiration the amount of the increase may not be greater than 50 percent of the amount of the total rent increase that would be applicable but for this paragraph.

[(3) ELIGIBLE FAMILIES.—A family described in this paragraph is a family—

[(A) that—

[(i) occupies a dwelling unit in a public housing project; or

[(ii) receives assistance under section 8; and

[(B)(i) whose income increases as a result of employment of a member of the family who was previously unemployed for 1 or more years;

[(ii) whose earned income increases during the participation of a family member in any family self-sufficiency or other job training program; or

[(iii) who is or was, within 6 months, assisted under any State program for temporary assistance for needy families

funded under part A of title IV of the Social Security Act and whose earned income increases.

[(4) APPLICABILITY.—This subsection and subsection (e) shall apply beginning upon October 1, 1999, except that this subsection and subsection (e) shall apply with respect to any family described in paragraph 3(A)(ii) only to the extent provided in advance in appropriations Acts.

[(e) INDIVIDUAL SAVINGS ACCOUNTS.—

[(1) IN GENERAL.—In lieu of a disallowance of earned income under subsection (d), upon the request of a family that qualifies under subsection (d), a public housing agency may establish an individual savings account in accordance with this subsection for that family.

[(2) DEPOSITS TO ACCOUNT.—The public housing agency shall deposit in any savings account established under this subsection an amount equal to the total amount that otherwise would be applied to the family's rent payment under subsection (a) as a result of employment.

[(3) WITHDRAWAL FROM ACCOUNT.—Amounts deposited in a savings account established under this subsection may only be withdrawn by the family for the purpose of—

[(A) purchasing a home;

[(B) paying education costs of family members;

[(C) moving out of public or assisted housing; or

[(D) paying any other expense authorized by the public housing agency for the purpose of promoting the economic self-sufficiency of residents of public and assisted housing.]

[(f)] *(d)* AVAILABILITY OF INCOME MATCHING INFORMATION.—

(1) * * *

* * * * * * *

(e) PHA REPORTING OF RENT PAYMENTS TO CREDIT REPORTING AGENCIES.—

(1) AUTHORITY.—To the extent that a family receiving tenant-based housing choice vouchers under section 8 by a public housing agency agrees in writing to reporting under this subsection, the public housing agency may submit to consumer reporting agencies described in section 603(p) of the Fair Credit Reporting Act (15 U.S.C. 1681a) information regarding the past rent payment history of the family with respect to the dwelling unit for which such assistance is provided.

(2) FORMAT.—The Secretary, after consultation with consumer reporting agencies referred in paragraph (1), shall establish a system and format to be used by public housing agencies for reporting of information under such paragraph that provides such information in a format and manner that is similar to other credit information submitted to such consumer reporting agencies and is usable by such agencies.

* * * * * * *

SEC. 5A. PUBLIC HOUSING AGENCY PLANS.

(a) * * *

* * * * * * *

(d) CONTENTS.—An annual public housing agency plan under subsection (b) for a public housing agency shall contain the following information relating to the upcoming fiscal year for which the assistance under this Act is to be made available:

(1) * * *

* * * * * * *

(4) RENT DETERMINATION.—A statement of the policies of the public housing agency governing rents charged for public housing dwelling units and rental contributions of families assisted under section 8(o)*, including the report with respect to the agency furnished by the Secretary pursuant to section 8(o)(1)(E) concerning rent burdens and, if applicable, geographic concentration of voucher holders, any changes in rent or other policies the public housing agency is making to address excessive rent burdens or concentration, and if the public housing agency is not adjusting its payment standard, its reasons for not doing so*.

* * * * * * *

LOWER INCOME HOUSING ASSISTANCE

SEC. 8. (a) * * *

* * * * * * *

(c)(1)*(A)* An assistance contract entered into pursuant to this section shall establish the maximum monthly rent (including utilities and all maintenance and management charges) which the owner is entitled to receive for each dwelling unit with respect to which such assistance payments are to be made. The maximum monthly rent shall not exceed by more than 10 per centum the fair market rental established by the Secretary periodically but not less than annually for existing or newly constructed rental dwelling units of various sizes and types in the market area suitable for occupancy by persons assisted under this section, except that the maximum monthly rent may exceed the fair market rental (A) by more than 10 but not more than 20 per centum where the Secretary determines that special circumstances warrant such higher maximum rent or that such higher rent is necessary to the implementation of a housing strategy as defined in section 105 of the Cranston-Gonzalez National Affordable Housing Act, or (B) by such higher amount as may be requested by a tenant and approved by the public housing agency in accordance with paragraph (3)(B). In the case of newly constructed and substantially rehabilitated units, the exception in the preceding sentence shall not apply to more than 20 per centum of the total amount of authority to enter into annual contributions contracts for such units which is allocated to an area and obligated with respect to any fiscal year beginning on or after October 1, 1980. Proposed fair market rentals for an area shall be published in the Federal Register with reasonable time for public comment, and shall become effective upon the date of publication in final form in the Federal Register. Each fair market rental in effect under this subsection shall be adjusted to be effective on October 1 of each year to reflect changes, based on the most recent available data trended so the rentals will be current for the year to which they apply, of rents for existing or newly constructed rental

dwelling units, as the case may be, of various sizes and types in the market area suitable for occupancy by persons assisted under this section. Notwithstanding any other provision of this section, after the date of enactment of the Housing and Community Development Act of 1977, the Secretary shall prohibit high-rise elevator projects for families with children unless there is no practical alternative. [The Secretary shall establish separate fair market rentals under this paragraph for Westchester County in the State of New York. The Secretary shall also establish separate fair market rentals under this paragraph for Monroe County in the Commonwealth of Pennsylvania. In establishing fair market rentals for the remaining portion of the market area in which Monroe County is located, the Secretary shall establish the fair market rentals as if such portion included Monroe County.] If units assisted under this section are exempt from local rent control while they are so assisted or otherwise, the maximum monthly rent for such units shall be reasonable in comparison with other units in the market area that are exempt from local rent control.

(B)(i) The Secretary shall endeavor to define market areas for purposes of this paragraph in a manner that results in fair market rentals that are adequate to cover typical rental costs of units suitable for occupancy by persons assisted under this section in as wide a range of communities as is feasible, including communities with low poverty rates.

(ii) The Secretary at a minimum shall define a separate market area for each—

(I) metropolitan city, as such term is defined in section 102(a) of the Housing and Community Development Act of 1974 (42 U.S.C. 5302(a)), with more than 40,000 rental dwelling units; and

(II) urban county or portion of an urban county, as such term is defined in such section 102(a), located outside the boundaries of any metropolitan city specified in subclause (I).

(iii) The Secretary shall, at the request of one or more public housing agencies, establish a separate market area for part or all of the area under the jurisdiction of such agencies, if—

(I) the requested market area contains at least 20,000 rental dwelling units;

(II) the areas contained in the requested market area are geographically contiguous and share similar housing market characteristics;

(III) adequate data are available to establish a reliable fair market rental for the requested market area, and for the remainder of the market area in which it is currently located; and

(IV) establishing the requested market area would raise or lower the fair market rental by 10 percent or more at the time the requested market area is established.

For purposes of subclause (III), data for an area shall be considered adequate if they are sufficient to establish from time to time a reliable benchmark fair market rental based primarily on data from that area, whether or not those data need to be supplemented with data from a larger area for purposes of annual updates.

(iv) The Secretary shall not reduce the fair market rental in a market area as a result of a change in the percentile of the distribution of market rents used to establish the fair market rental.

* * * * * * *

(3) The amount of the monthly assistance payment with respect to any dwelling unit shall be the difference between the maximum monthly rent which the contract provides that the owner is to receive for the unit and the rent the family is required to pay under section 3(a) of this Act. [Reviews of family income shall be made no less frequently than annually.]

(4) The assistance contract shall provide that assistance payments may be made only with respect to a dwelling unit under lease for occupancy by a family determined to be a lower income family [at the time it initially occupied such dwelling unit] *according to the restrictions under section 3(a)(1)*, except that such payments may be made with respect to unoccupied units for a period not exceeding sixty days (A) in the event that a family vacates a dwelling unit before the expiration date of the lease for occupancy or (B) where a good faith effort is being made to fill an unoccupied unit, and, subject to the provisions of the following sentence, such payments may be made, in the case of a newly constructed or substantially rehabilitated project, after such sixty-day period in an amount equal to the debt service attributable to such an unoccupied dwelling unit for a period not to exceed one year, if a good faith effort is being made to fill the unit and the unit provides decent, safe, and sanitary housing. No such payment may be made after such sixty-day period if the Secretary determines that the dwelling unit is in a project which provides the owner with revenues exceeding the costs incurred by such owner with respect to such project.

* * * * * * *

(o) VOUCHER PROGRAM.—

(1) AUTHORITY.—

(A) * * *

(B) ESTABLISHMENT OF PAYMENT STANDARD.—Except as provided under subparagraph (D), the payment standard for each size of dwelling unit in a market area shall not exceed 110 percent of the fair market rental established under subsection (c) for the same size of dwelling unit in the same market area and shall be not less than 90 percent of that fair market rental*, except that no public housing agency shall be required as a result of a reduction in the fair market rental to reduce the payment standard applied to a family continuing to reside in a unit for which the family was receiving assistance under this section at the time the fair market rental was reduced*.

* * * * * * *

(D) APPROVAL.—The Secretary may require a public housing agency to submit the payment standard of the public housing agency to the Secretary for approval, if the payment standard is less than 90 percent of the fair market rental or exceeds 110 percent of the fair market rental*, except that a public housing agency may establish a pay-*

ment standard of not more than 120 percent of the fair market rent where necessary as a reasonable accommodation for a person with a disability, without approval of the Secretary. A public housing agency may seek approval of the Secretary to use a payment standard greater than 120 percent of the fair market rent as a reasonable accommodation for a person with a disability.

[(E) REVIEW.—The Secretary—

[(i) shall monitor rent burdens and review any payment standard that results in a significant percentage of the families occupying units of any size paying more than 30 percent of adjusted income for rent; and

[(ii) may require a public housing agency to modify the payment standard of the public housing agency based on the results of that review.]

(E) REVIEWS.—

(i) RENT BURDENS.—The Secretary shall monitor rent burdens and submit a report to the Congress annually on the percentage of families assisted under this subsection, occupying dwelling units of any size, that pay more than 30 percent of their adjusted incomes for rent and such percentage that pay more than 40 percent of their adjusted incomes for rent. Using information regularly reported by public housing agencies, the Secretary shall provide public housing agencies, on an annual basis, a report with the information described in the first sentence of this clause, and may require a public housing agency to modify a payment standard that results in a significant percentage of families assisted under this subsection, occupying dwelling units of any size, paying more than 30 percent of their adjusted incomes for rent.

(ii) CONCENTRATION OF POVERTY.—The Secretary shall submit a report to the Congress annually on the degree to which families assisted under this subsection in each metropolitan area are clustered in lower rent, higher poverty areas and how, and the extent to which, greater geographic distribution of such assisted families could be achieved, including by increasing payment standards for particular communities within such metropolitan areas.

(iii) PUBLIC HOUSING AGENCY RESPONSIBILITIES.—Each public housing agency shall make publicly available the information on rent burdens provided by the Secretary pursuant to clause (i), and, for agencies located in metropolitan areas, the information on concentration provided by the Secretary pursuant to clause (ii). If the percentage of families paying more than 30 percent or 40 percent of income exceeds the national average for either of such categories, as reported pursuant to clause (i), the public housing agency shall adjust the payment standard to eliminate excessive rent burdens within a reasonable time period or explain its reasons for not making such adjustment. The Secretary may not deny the request of a public housing agency to set

a payment standard up to 120 percent of the fair market rent to remedy rent burdens in excess of the national average or undue concentration of families assisted under this subsection in lower rent, higher poverty sections of a metropolitan area except on the basis that an agency has not demonstrated that its request meets these criteria. If a request of a public housing agency has not been denied or approved within 45 days after the request is made, the request shall be considered to have been approved.

* * * * * * *

[(4) ELIGIBLE FAMILIES.—To be eligible to receive assistance under this subsection, a family shall, at the time a family initially receives assistance under this subsection, be a low-income family that is—**]**

(4) ELIGIBLE FAMILIES.—Assistance under this subsection may be provided, whether initially or at each recertification, only pursuant to subsection (t) to a family eligible for assistance under such subsection or to a family who at the time of such initial or continued assistance, respectively, is a low-income family that is—

(A) * * *

* * * * * * *

(5) **[**ANNUAL REVIEW**]** *REVIEWS* OF FAMILY INCOME.—

(A) IN GENERAL.—Reviews of family incomes for purposes of this section shall be subject to **[**the provisions of**]** *paragraphs (6) and (7) of section 3(a) and to* section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 **[**and shall be conducted upon the initial provision of housing assistance for the family and thereafter not less than annually**]**.

(B) PROCEDURES.—Each public housing agency administering assistance under this subsection shall establish procedures that are appropriate and necessary to ensure that income data provided to the agency and owners by families applying for or receiving assistance from the agency is complete and accurate. **[**Each public housing agency shall, not less frequently than annually, conduct a review of the family income of each family receiving assistance under this subsection.**]**

(6) SELECTION OF FAMILIES AND DISAPPROVAL OF OWNERS.—

(A) * * *

(B) SELECTION OF TENANTS.—Each housing assistance payment contract entered into by the public housing agency and the owner of a dwelling unit) shall provide that the screening and selection of families for those units shall be the function of the owner. In addition, the public housing agency may elect to screen applicants for the program in accordance with such requirements as the Secretary may establish. *A public housing agency's elective screening shall be limited to criteria that are directly related to an applicant's ability to fulfill the obligations of an assisted lease and shall consider mitigating circumstances related to such*

applicant. Any applicant or participant determined to be ineligible for admission or continued participation to the program shall be notified of the basis for such determination and provided, within a reasonable time after the determination, an opportunity for an informal hearing on such determination at which mitigating circumstances, including remedial conduct subsequent to the notice, shall be considered. That an applicant or participant is or has been a victim of domestic violence, dating violence, or stalking is not an appropriate basis for denial of program assistance by or for denial of admission if the applicant otherwise qualifies for assistance for admission, and that nothing in this section shall be construed to supersede any provision of any Federal, State, or local law that provides greater protection than this section for victims of domestic violence, dating violence, or stalking.

* * * * * * *

(8) INSPECTION OF UNITS BY PHA'S.—

[(A) IN GENERAL.—Except as provided in paragraph (11), for each dwelling unit for which a housing assistance payment contract is established under this subsection, the public housing agency shall inspect the unit before any assistance payment is made to determine whether the dwelling unit meets the housing quality standards under subparagraph (B).]

(A) INITIAL INSPECTION.—

(i) IN GENERAL.—For each dwelling unit for which a housing assistance payment contract is established under this subsection, the public housing agency (or other entity pursuant to paragraph (11)) shall inspect the unit before any assistance payment is made to determine whether the dwelling unit meets the housing quality standards under subparagraph (B), except as provided in clause (ii) or (iii) of this subparagraph.

(ii) CORRECTION OF NON-LIFE THREATENING CONDITIONS.—In the case of any dwelling unit that is determined, pursuant to an inspection under clause (i), not to meet the housing quality standards under subparagraph (B), assistance payments may be made for the unit notwithstanding subparagraph (C) if failure to meet such standards is a result only of non-life threatening conditions. A public housing agency making assistance payments pursuant to this clause for a dwelling unit shall, 30 days after the beginning of the period for which such payments are made, suspend any assistance payments for the unit if any deficiency resulting in noncompliance with the housing quality standards has not been corrected by such time, and may not resume such payments until each such deficiency has been corrected.

(iii) PROJECTS RECEIVING CERTAIN FEDERAL HOUSING SUBSIDIES.—In the case of any property that within the previous 12 months has been determined to meet housing quality and safety standards under any Federal housing program inspection standard, including the

program under section 42 of the Internal Revenue Code of 1986 or under subtitle A of title II of the Cranston Gonzalez National Affordable Housing Act of 1990, a public housing agency may authorize occupancy before the inspection under clause (i) has been completed, and may make assistance payments retroactive to the beginning of the lease term after the unit has been determined pursuant to an inspection under clause (i) to meet the housing quality standards under subparagraph (B).

* * * * * * *

[(D) ANNUAL INSPECTIONS.—Each public housing agency providing assistance under this subsection (or other entity, as provided in paragraph (11)) shall make an annual inspection of each assisted dwelling unit during the term of the housing assistance payments contract for the unit to determine whether the unit is maintained in accordance with the requirements under subparagraph (A). The agency (or other entity) shall retain the records of the inspection for a reasonable time and shall make the records available upon request to the Secretary, the Inspector General for the Department of Housing and Urban Development, and any auditor conducting an audit under section 5(h).]

(D) BIENNIAL INSPECTIONS.—

(i) REQUIREMENT.—Each public housing agency providing assistance under this subsection (or other entity, as provided in paragraph (11)) shall, for each assisted dwelling unit, make biennial inspections during the term of the housing assistance payments contract for the unit to determine whether the unit is maintained in accordance with the requirements under subparagraph (A). The agency (or other entity) shall retain the records of the inspection for a reasonable time and shall make the records available upon request to the Secretary, the Inspector General for the Department of Housing and Urban Development, and any auditor conducting an audit under section 5(h).

(ii) SUFFICIENT INSPECTION.—An inspection of a property shall be sufficient to comply with the inspection requirement under clause (i) if—

(I) the inspection was conducted pursuant to requirements under a Federal, State, or local housing assistance program (including the HOME investment partnerships program under title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12721 et seq.)); and

(II) pursuant to such inspection, the property was determined to meet the standards or requirements regarding housing quality or safety applicable to units assisted under such program, and, if a non-Federal standard was used, the public housing agency has certified to the Secretary that such standards or requirements provide the same protection to occupants of dwelling units meeting such

standards or requirements as, or greater protection than, the housing quality standards under subparagraph (B).

* * * * * * *

(F) ENFORCEMENT OF HOUSING QUALITY STANDARDS.—

(i) DETERMINATION OF NONCOMPLIANCE.—A dwelling unit that is covered by a housing assistance payments contract under this subsection shall be considered, for purposes of this subparagraph, to be in noncompliance with the housing quality standards under subparagraph (B) if—

(I) the public housing agency or an inspector authorized by the State or unit of local government determines upon inspection of the unit that the unit fails to comply with such standards;

(II) the agency or inspector notifies the owner of the unit in writing of such failure to comply; and

(III) the failure to comply is not corrected within 90 days after receipt of such notice.

(ii) WITHHOLDING AND RELEASE OF ASSISTANCE AMOUNTS.—The public housing agency shall withhold all of the assistance amounts under this subsection with respect to a dwelling unit that is in noncompliance with housing quality standards under subparagraph (B). Subject to clause (iii), the agency shall promptly release any withheld amounts to the owner of the dwelling unit upon completion of repairs that remedy such noncompliance.

(iii) USE OF WITHHELD ASSISTANCE TO PAY FOR REPAIRS.—The public housing agency may use such amounts withheld to make repairs to the dwelling unit or to contract to have repairs made (or to contract with an inspector referred to in clause (i)(I) to make or contract for such repairs), and shall subtract the cost of such repairs from any amounts released to the owner of the unit upon remedying such noncompliance.

(iv) PROTECTION OF TENANTS.—An owner of a dwelling unit may not terminate the tenancy of any tenant or refuse to renew a lease for such unit because of the withholding of assistance pursuant to this subparagraph.

(v) TERMINATION OF LEASE OR ASSISTANCE PAYMENTS CONTRACT.—If assistance amounts under this section for a dwelling unit are withheld pursuant to clause (ii) and the owner does not correct the noncompliance before the expiration of the lease for the dwelling unit and such lease is not renewed, the Secretary shall recapture any such amounts from the public housing agency.

(vi) APPLICABILITY.—This subparagraph shall apply to any dwelling unit for which a housing assistance payments contract is entered into or renewed after the

date of the effectiveness of the regulations implementing this subparagraph.

* * * * * * *

(12) ASSISTANCE FOR RENTAL OF MANUFACTURED HOUSING.—

(A) IN GENERAL.—A public housing agency may make assistance payments in accordance with this subsection on behalf of a family that utilizes a manufactured home as a principal place of residence[. Such payments may be made only for the rental of] *and rents* the real property on which the manufactured home owned by any such family is located.

(B) RENT CALCULATION.—

(i) CHARGES INCLUDED.—For assistance pursuant to this paragraph, [the rent for the space on which a manufactured home is located and with respect to which assistance payments are to be made shall include maintenance and management charges and tenant-paid utilities.] *rent shall mean the sum of the monthly payments made by a family assisted under this paragraph to amortize the cost of purchasing the manufactured home, including any required insurance and property taxes, the monthly amount allowed for tenant-paid utilities, and the monthly rent charged for the real property on which the manufactured home is located, including monthly management and maintenance charges.*

[(ii) PAYMENT STANDARD.—The public housing agency shall establish a payment standard for the purpose of determining the monthly assistance that may be paid for any family under this paragraph. The payment standard may not exceed an amount approved or established by the Secretary.]

[(iii)] *(ii)* MONTHLY ASSISTANCE PAYMENT.—The monthly assistance payment for a family assisted under this paragraph shall be determined in accordance with paragraph (2). *If the amount of the monthly assistance payment for a family exceeds the monthly rent charged for the real property on which the manufactured home is located, including monthly management and maintenance charges, a public housing agency may pay the remainder to the family, lender or utility company, or may choose to make a single payment to the family for the entire monthly assistance amount.*

(13) PHA PROJECT-BASED ASSISTANCE.—

(A) * * *

[(B) PERCENTAGE LIMITATION.—Not more than 20 percent of the funding available for tenant-based assistance under this section that is administered by the agency may be attached to structures pursuant to this paragraph.]

(B) PERCENTAGE LIMITATION.—

(i) IN GENERAL.—Subject to clause (ii), not more than 25 percent of the funding available for tenant-based assistance under this section that is administered by the

agency may be attached to structures pursuant to this paragraph.

(ii) EXCEPTION.—An agency may attach up to an additional 5 percent of the funding available for tenant-based assistance under this section to structures pursuant to this paragraph for dwelling units that house individuals and families that meet the definition of homeless under section 103 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11302).

* * * * * * *

[(D) INCOME MIXING REQUIREMENT.—

[(i) IN GENERAL.—Not more than 25 percent of the dwelling units in any building may be assisted under a housing assistance payment contract for project-based assistance pursuant to this paragraph.

[(ii) EXCEPTIONS.—The limitation under clause (i) shall not apply in the case of assistance under a contract for housing consisting of single family properties or for dwelling units that are specifically made available for households comprised of elderly families, disabled families, and families receiving supportive services.]

(D) INCOME MIXING REQUIREMENT.—

(i) IN GENERAL.—Except as provided in clause (ii), not more than the greater of 25 dwelling units or 25 percent of the dwelling units in any project may be assisted under a housing assistance payment contract for project-based assistance pursuant to this paragraph. For purposes of this subparagraph, the term "project" means a single building, multiple contiguous buildings, or multiple buildings on contiguous parcels of land.

(ii) EXCEPTIONS.—

(I) CERTAIN HOUSING.—The limitation under clause (i) shall not apply in the case of assistance under a contract for housing consisting of single family properties, or for dwelling units that are specifically made available for households comprised of elderly families, disabled families, and families receiving supportive services. For purposes of the preceding sentence, the term "single family properties" means buildings with no more than four dwelling units.

(II) CERTAIN AREAS.—With respect to areas in which fewer than 75 percent of families issued vouchers become participants in the program, the public housing agency has established the payment standard at 110 percent of the fair market rent for all census tracts in the area for the previous six months, and the public housing agency grants an automatic extension of 90 days (or longer) to families with vouchers who are attempting to find

housing, clause (i) shall be applied by substituting "50 percent" for "25 percent".

* * * * * * *

(F) CONTRACT TERM.—A housing assistance payment contract pursuant to this paragraph between a public housing agency and the owner of a structure may have a term of up to [10 years] *15 years*, subject to the availability of sufficient appropriated funds for the purpose of renewing expiring contracts for assistance payments, as provided in appropriations Acts and in the agency's annual contributions contract with the Secretary, and to annual compliance with the inspection requirements under paragraph (8), except that the agency shall not be required to make annual inspections of each assisted unit in the development. The contract may specify additional conditions for its continuation. If the units covered by the contract are owned by the agency, the term of the contract shall be agreed upon by the agency and the unit of general local government or other entity approved by the Secretary in the manner provided under paragraph (11).

(G) EXTENSION OF CONTRACT TERM.—A public housing agency may enter into a contract with the owner of a structure assisted under a housing assistance payment contract pursuant to this paragraph to extend the term of the underlying housing assistance payment contract for such period as the agency determines to be appropriate to achieve long-term affordability of the housing or to expand housing opportunities. *Such contract may, at the election of the public housing agency and the owner of the structure, specify that such contract shall be extended for renewal terms of up to 15 years each, if the agency makes the determination required by this subparagraph and the owner is in compliance with the terms of the contract.* Such a contract shall provide that the extension of such term shall be contingent upon the future availability of appropriated funds for the purpose of renewing expiring contracts for assistance payments, as provided in appropriations Acts, and may obligate the owner to have such extensions of the underlying housing assistance payment contract accepted by the owner and the successors in interest of the owner. *A public housing agency may agree to enter into such a contract at the time it enters into the initial agreement for a housing assistance payment contract or at any time thereafter that is before the expiration of the housing assistance payment contract.*

(H) RENT CALCULATION.—A housing assistance payment contract pursuant to this paragraph shall establish rents for each unit assisted in an amount that does not exceed 110 percent of the applicable fair market rental (or any exception payment standard approved by the Secretary pursuant to paragraph (1)(D)), except that if a contract covers a dwelling unit that has been allocated low-income housing tax credits pursuant to section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42) and is not located in a qualified census tract (as such term is defined in subsection (d)

of such section 42), the rent for such unit may be established at any level that does not exceed the rent charged for comparable units in the building that also receive the low-income housing tax credit but do not have additional rental assistance*, except that in the case of a contract unit that has been allocated low-income housing tax credits and for which the rent limitation pursuant to such section 42 is less than the amount that would otherwise be permitted under this subparagraph, the rent for such unit may, in the sole discretion of a public housing agency, be established at the higher section 8 rent, subject only to paragraph (10)(A)*. The rents established by housing assistance payment contracts pursuant to this paragraph may vary from the payment standards established by the public housing agency pursuant to paragraph (1)(B), but shall be subject to paragraph (10)(A).

(I) RENT ADJUSTMENTS.—A housing assistance payments contract pursuant to this paragraph shall provide for rent adjustments, except that—

(i) the adjusted rent for any unit assisted shall be reasonable in comparison with rents charged for comparable dwelling units in the private, unassisted, local market and may not exceed the maximum rent permitted under subparagraph (H)*, except that the contract may provide that the maximum rent permitted for a dwelling unit shall not be less than the initial rent for the dwelling unit under the initial housing assistance payments contract covering the unit*; and

* * * * * * *

(J) TENANT SELECTION.—A public housing agency shall select families to receive project-based assistance pursuant to this paragraph from its waiting list for assistance under this subsection. Eligibility for such project-based assistance shall be subject to the provisions of section 16(b) that apply to tenant-based assistance. The agency may establish preferences or criteria for selection for a unit assisted under this paragraph that are consistent with the public housing agency plan for the agency approved under section 5A. *Any family who resides in a dwelling unit proposed to be assisted under this paragraph, or in a unit to be replaced by a proposed unit to be assisted under this paragraph shall be given an absolute preference for selection for placement in the proposed unit, if the family is otherwise eligible for assistance under this subsection.* Any family that rejects an offer of project-based assistance under this paragraph or that is rejected for admission to a structure by the owner or manager of a structure assisted under this paragraph shall retain its place on the waiting list as if the offer had not been made. ❲The owner or manager of a structure assisted under this paragraph shall not admit any family to a dwelling unit assisted under a contract pursuant to this paragraph other than a family referred by the public housing agency from its waiting list. Subject to its waiting list policies and selection preferences, a public housing agency may place on its waiting list a family re-

ferred by the owner or manager of a structure and may maintain a separate waiting list for assistance under this paragraph, but only if all families on the agency's waiting list for assistance under this subsection are permitted to place their names on the separate list.] *A public housing agency may establish and utilize procedures for maintaining site-based waiting lists under which applicants may apply directly at, or otherwise designate to the public housing agency, the project or projects in which they seek to reside, except that all applicants on the waiting list of an agency for assistance under this subsection shall be permitted to place their names on such separate list. All such procedures shall comply with title VI of the Civil Rights Act of 1964, the Fair Housing Act, and other applicable civil rights laws. The owner or manager of a structure assisted under this paragraph shall not admit any family to a dwelling unit assisted under a contract pursuant to this paragraph other than a family referred by the public housing agency from its waiting list, or a family on a site-based waiting list that complies with the requirements of this subparagraph. A public housing agency shall fully disclose to each applicant each option in the selection of a project in which to reside that is available to the applicant.*

* * * * * * *

(L) USE IN COOPERATIVE HOUSING AND ELEVATOR BUILDINGS.—A public housing agency may enter into a housing assistance payments contract under this paragraph with respect to—

(i) dwelling units in cooperative housing;

(ii) notwithstanding subsection (c), dwelling units in a high-rise elevator project, including such a project that is occupied by families with children, without review and approval of the contract by the Secretary.

(M) REVIEWS.—

(i) SUBSIDY LAYERING.—A subsidy layering review in accordance with section 102(d) of the Department of Housing and Urban Development Reform Act of 1989 (42 U.S.C. 3545(d)) shall not be required for assistance under this subparagraph in the case of a housing assistance payments contract for an existing structure, or if a subsidy layering review has been conducted by the applicable State or local agency.

(ii) ENVIRONMENTAL REVIEW.—A public housing agency shall not be required to undertake any environmental review before entering into a housing assistance payments contract under this paragraph for an existing structure, except to the extent such a review is otherwise required by law or regulation.

(N) LEASES AND TENANCY.—Assistance provided under this paragraph shall be subject to the provisions of paragraph (7), except that subparagraph (A) of such paragraph shall not apply.

* * * * * * *

(21) PERFORMANCE ASSESSMENTS.—

(A) ESTABLISHMENT.—The Secretary shall, by regulation, establish standards and procedures for assessing the performance of public housing agencies in carrying out the programs for tenant-based rental assistance under this subsection and for homeownership assistance under subsection (y).

(B) CONTENTS.—The standards and procedures under this paragraph shall provide for assessment of the performance of public housing agencies in the following areas:

(i) Quality of dwelling units obtained using such assistance.

(ii) Extent of utilization of assistance amounts provided to the agency and of authorized vouchers.

(iii) Timeliness and accuracy of reporting by the agency to the Secretary.

(iv) Effectiveness in carrying out policies to achieve deconcentration of poverty.

(v) Reasonableness of rent burdens, consistent with public housing agency responsibilities under section 8(o)(1)(E)(iii).

(vi) Accurate rent calculations and subsidy payments.

(vii) Effectiveness in carrying out family self-sufficiency activities.

(viii) Timeliness of actions related to landlord participation

(ix) Such other areas as the Secretary considers appropriate.

(C) PERIODIC ASSESSMENT.—Using the standards and procedures established under this paragraph, the Secretary shall conduct an assessment of the performance of each public housing agency carrying out a program referred to in subparagraph (A) and shall submit a report to the Congress regarding the results of each such assessment.

(q) ADMINISTRATIVE FEES.—

(1) FEE FOR ONGOING COSTS OF ADMINISTRATION.—

(A) * * *

[(B) FISCAL YEAR 1999.—

[(i) CALCULATION.—For fiscal year 1999, the fee for each month for which a dwelling unit is covered by an assistance contract shall be—

[(I) in the case of a public housing agency that, on an annual basis, is administering a program for not more than 600 dwelling units, 7.65 percent of the base amount; and

[(II) in the case of an agency that, on an annual basis, is administering a program for more than 600 dwelling units (aa) for the first 600 units, 7.65 percent of the base amount, and (bb) for any additional dwelling units under the program, 7.0 percent of the base amount.

[(ii) BASE AMOUNT.—For purposes of this subparagraph, the base amount shall be the higher of—

[(I) the fair market rental established under section 8(c) of this Act (as in effect immediately

before the effective date under section 503(a) of the Quality Housing and Work Responsibility Act of 1998) for fiscal year 1993 for a 2-bedroom existing rental dwelling unit in the market area of the agency, and

[(II) the amount that is the lesser of (aa) such fair market rental for fiscal year 1994, or (bb) 103.5 percent of the amount determined under clause (i),

adjusted based on changes in wage data or other objectively measurable data that reflect the costs of administering the program, as determined by the Secretary. The Secretary may require that the base amount be not less than a minimum amount and not more than a maximum amount.

[(C) SUBSEQUENT FISCAL YEARS.—For subsequent fiscal years, the Secretary shall publish a notice in the Federal Register, for each geographic area, establishing the amount of the fee that would apply for public housing agencies administering the program, based on changes in wage data or other objectively measurable data that reflect the costs of administering the program, as determined by the Secretary.]

(B) CALCULATION.—The fee under this subsection shall—

(i) be payable to each public housing agency for each month for which a dwelling unit is covered by an assistance contract;

(ii) until superseded through subsequent rulemaking, be based on the per-unit fee payable to the agency in fiscal year 2003, updated for each subsequent year as specified in subsection (iv);

(iii) include an amount for the cost of issuing voucher to new participants;

(iv) be updated each year using an index of changes in wage data or other objectively measurable data that reflect the costs of administering the program for such assistance, as determined by the Secretary; and

(v) include an amount for the cost of family self-sufficiency coordinators, as provided in section 23(h)(1).

(C) PUBLICATION.—The Secretary shall cause to be published in the Federal Register the fee rate for each geographic area.

* * * * * * *

(4) APPLICABILITY.—This subsection shall apply to fiscal year [1999] *2007* and fiscal years thereafter.

(r) PORTABILITY.—(1) * * *

(2) The public housing agency having authority with respect to the dwelling unit to which a family moves under this subsection shall have the responsibility of carrying out the provisions of this subsection with respect to the family. *The agency shall absorb the family into its program for voucher assistance under this section and shall have priority to receive additional funding from the Sec-*

retary for the housing assistance provided for such family from amounts made available pursuant to subsection (dd)(4)(B).

* * * * * * *

(t) ENHANCED VOUCHERS.—

(1) IN GENERAL.—Enhanced voucher assistance under this subsection for a family shall be voucher assistance under subsection (o), except that under such enhanced voucher assistance—

(A) * * *

(B) the assisted family may elect to remain in the same project in which the family was residing on the date of the eligibility event for the project, *regardless of unit and family size standards normally used by the administering agency (except that tenants may be required to move to units of appropriate size if available on the premises),* and if, during any period the family makes such an election and continues to so reside, the rent for the dwelling unit of the family in such project exceeds the applicable payment standard established pursuant to subsection (o) for the unit, the amount of rental assistance provided on behalf of the family shall be determined using a payment standard that is equal to the rent for the dwelling unit (as such rent may be increased from time-to-time), subject to paragraph (10)(A) of subsection (o) and any other reasonable limit prescribed by the Secretary, except that a limit shall not be considered reasonable for purposes of this subparagraph if it adversely affects such assisted families;

* * * * * * *

(D) if the **[**income**]** *annual adjusted income* of the assisted family declines to a significant extent, the percentage of **[**income**]** *annual adjusted income* paid by the family for rent shall not exceed the greater of 30 percent or the percentage of **[**income**]** *annual adjusted income* paid at the time of the eligibility event for the project.

* * * * * * *

(y) HOMEOWNERSHIP OPTION.—

(1) * * *

* * * * * * *

(7) DOWNPAYMENT ASSISTANCE.—

[(A) AUTHORITY.—A public housing agency may, in lieu of providing monthly assistance payments under this subsection on behalf of a family eligible for such assistance and at the discretion of the public housing agency, provide assistance for the family in the form of a single grant to be used only as a contribution toward the downpayment required in connection with the purchase of a dwelling for fiscal year 2000 and each fiscal year thereafter to the extent provided in advance in appropriations Acts.

[(B) AMOUNT.—The amount of a downpayment grant on behalf of an assisted family may not exceed the amount that is equal to the sum of the assistance payments that would be made during the first year of assistance on behalf

of the family, based upon the income of the family at the time the grant is to be made.]

(A) IN GENERAL.—Subject to the provisions of this paragraph, in the case of a family on whose behalf rental assistance under section 8(o) has been provided for a period of not less than 12 months prior to the date of receipt of downpayment assistance under this paragraph, a public housing agency may, in lieu of providing monthly assistance payments under this subsection on behalf of a family eligible for such assistance and at the discretion of the agency, provide a downpayment assistance grant in accordance with subparagraph (B).

(B) GRANT REQUIREMENTS.—A downpayment assistance grant under this paragraph—

(i) shall be used by the family only as a contribution toward the downpayment and reasonable and customary closing costs required in connection with the purchase of a home;

(ii) shall be in the form of a single one-time grant; and

(iii) may not exceed $10,000.

(C) NO EFFECT ON OBTAINING OUTSIDE SOURCES FOR DOWNPAYMENT ASSISTANCE.—This Act may not be construed to prohibit a public housing agency from providing downpayment assistance to families from sources other than a grant provided under this Act, or as determined by the public housing agency.

* * * * * * *

[(dd) TENANT-BASED CONTRACT RENEWALS.—Subject to amounts provided in appropriation Acts, starting in fiscal year 1999, the Secretary shall renew all expiring tenant-based annual contribution contracts under this section by applying an inflation factor based on local or regional factors to an allocation baseline. The allocation baseline shall be calculated by including, at a minimum, amounts sufficient to ensure continued assistance for the actual number of families assisted as of October 1, 1997, with appropriate upward adjustments for incremental assistance and additional families authorized subsequent to that date.]

(dd) TENANT-BASED VOUCHERS.—

(1) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated, for each of fiscal years 2008 through 2012, such sums as may be necessary for tenant-based assistance under subsection (o) for the following purposes:

(A) To renew all expiring annual contributions contracts for tenant-based rental assistance.

(B) To provide tenant-based rental assistance for—

(i) relocation and replacement of housing units that are demolished or disposed of pursuant to the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104–134);

(ii) conversion of section 23 projects to assistance under this section;

(iii) the family unification program under subsection (x) of this section;

(iv) relocation of witnesses in connection with efforts to combat crime in public and assisted housing pursuant to a request from a law enforcement or prosecution agency;

(v) enhanced vouchers authorized under subsection (t) of this section;

(vi) vouchers in connection with the HOPE VI program under section 24;

(vii) demolition or disposition of public housing units pursuant to section 18 of the United States Housing Act of 1937 (42 U.S.C. 1437p);

(viii) mandatory and voluntary conversions of public housing to vouchers, pursuant to sections 33 and 22 of the United States Housing Act of 1937, respectively (42 U.S.C. 1437z–5, 1437t);

(ix) vouchers necessary to comply with a consent decree or court order;

(x) vouchers to replace dwelling units that cease to receive project-based assistance under subsection (b), (c), (d), (e), or (v) of this section;

(xi) tenant protection assistance, including replacement and relocation assistance; and

(xii) emergency voucher assistance for the protection of victims of domestic violence, dating violence, sexual assault, or stalking.

Subject only to the availability of sufficient amounts provided in appropriation Acts, the Secretary shall provide tenant-based rental assistance to replace all dwelling units that cease to be available as assisted housing as a result of clause (i), (ii), (v), (vi), (vii), (viii), or (x).

(2) ALLOCATION OF RENEWAL FUNDING AMONG PUBLIC HOUSING AGENCIES.—

(A) From amounts appropriated for each year pursuant to paragraph (1)(A), the Secretary shall provide renewal funding for each public housing agency—

(i) based on leasing and cost data from the preceding calendar year, as adjusted by an annual adjustment factor to be established by the Secretary, which shall be established using the smallest geographical areas for which data on changes in rental costs are annually available;

(ii) by making any adjustments necessary to provide for the first-time renewal of vouchers funded under paragraph (1)(B);

(iii) by making any adjustments necessary for full year funding of vouchers ported in the prior calendar year under subsection (r)(2); and

(iv) by making such other adjustments as the Secretary considers appropriate, including adjustments necessary to address changes in voucher utilization rates and voucher costs related to natural and other major disasters.

(B) LEASING AND COST DATA.—For purposes of subparagraph (A)(i), leasing and cost data shall be calculated annually by using the average for the preceding calendar

year. Such leasing and cost data shall be adjusted to include vouchers that were set aside under a commitment to provide project-based assistance under subsection (o)(13) and to exclude amounts funded through advances under paragraph (3). Such leasing and cost data shall not include funds not appropriated for tenant-based assistance under section 8(o), unless the agency's funding was prorated in the prior year and the agency used other funds to maintain vouchers in use.

(C) OVERLEASING.—For the purpose of determining allocations under subsection (A)(i), the leasing rate calculated for the prior calendar year may exceed an agency's authorized voucher level, except that such calculation in 2009 shall not include amounts resulting from a leasing rate in excess of 103 percent of an agency's authorized vouchers in 2008 which results from the use of accumulated amounts, as referred to in paragraph (4)(A).

(D) MOVING TO WORK; HOUSING INNOVATION PROGRAM.—Notwithstanding subparagraphs (A) and (B), each public housing agency participating at any time in the moving to work demonstration under section 204 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1996 (42 U.S.C. 1437f note) or in the housing innovation program under section 36 of this Act shall be funded pursuant to its agreement under such program and shall be subject to any pro rata adjustment made under subparagraph (E)(i).

(E) PRO RATA ALLOCATION.—

(i) INSUFFICIENT FUNDS.—To the extent that amounts made available for a fiscal year are not sufficient to provide each public housing agency with the full allocation for the agency determined pursuant to subparagraphs (A) and (D), the Secretary shall reduce such allocation for each agency on a pro rata basis, except that renewal funding of enhanced vouchers under section 8(t) shall not be subject to such proration.

(ii) EXCESS FUNDS.—To the extent that amounts made available for a fiscal year exceed the amount necessary to provide each housing agency with the full allocation for the agency determined pursuant to subparagraphs (A) and (D), such excess amounts shall be used for the purposes specified in subparagraphs (B) and (C) of paragraph (4).

(F) PROMPT FUNDING ALLOCATION.—The Secretary shall allocate all funds under this subsection for each year before the latter of (i) February 15, or (ii) the expiration of the 45-day period beginning upon the enactment of the appropriations Act funding such renewals.

(3) ADVANCES.—

(A) AUTHORITY.—During the last 3 months of each calendar year, the Secretary shall provide amounts to any public housing agency, at the request of the agency, in an amount up to two percent of the allocation for the agency for such calendar year, subject to subparagraph (C).

(B) USE.—Amounts advanced under subparagraph (A) may be used to pay for additional voucher costs, including costs related to temporary overleasing.

(C) USE OF PRIOR YEAR AMOUNTS.—During the last 3 months of a calendar year, if amounts previously provided to a public housing agency for tenant-based assistance for such year or for previous years remain unobligated and available to the agency—

(i) the agency shall exhaust such amounts to cover any additional voucher costs under subparagraph (B) before amounts advanced under subparagraph (A) may be so used; and

(ii) the amount that may be advanced under subparagraph (A) to the agency shall be reduced by an amount equal to the total of such previously provided and unobligated amounts.

(D) REPAYMENT.—Amounts advanced under subparagraph (A) in a calendar year shall be repaid to the Secretary in the subsequent calendar year by reducing the amounts made available for such agency for such subsequent calendar year pursuant to allocation under paragraph (2) by an amount equal to the amount so advanced to the agency.

(4) RECAPTURE.—

(A) IN GENERAL.—The Secretary shall recapture, from amounts provided under the annual contributions contract for a public housing agency for a calendar year, all accumulated amounts allocated under paragraph (2) and from previous years that are unused by the agency at the end of each calendar year except—

(i) with respect to the recapture under this subparagraph at the end of 2007, an amount equal to one twelfth the amount allocated to the public housing agency for such year pursuant to paragraph (2)(A); and

(ii) with respect to the recapture under this subparagraph at the end of each of 2008, 2009, 2010, and 2011, an amount equal to 5 percent of such amount allocated to the agency for such year. Notwithstanding any other provision of law, each public housing agency may retain all amounts not authorized to be recaptured under this subparagraph, and may use such amounts for all authorized purposes.

(B) REALLOCATION.—Not later than May 1 of each calendar year, the Secretary shall—

(i) calculate the aggregate unused amounts for the preceding year recaptured pursuant to subparagraph (A);

(ii) set aside and make available such amounts as the Secretary considers appropriate to reimburse public housing agencies for increased costs related to portability and family self-sufficiency activities during such year; and

(iii) reallocate all remaining amounts among public housing agencies, with priority given based on the extent to which an agency has utilized the amount allo-

cated under paragraph (2) for the agency to serve eligible families.

(C) USE.—Amounts reallocated to a public housing agency pursuant to subparagraph (B)(iii) may be used only to increase voucher leasing rates as provided under paragraph (2)(C).

* * * * * * *

ELIGIBILITY FOR ASSISTED HOUSING

SEC. 16. (a) INCOME ELIGIBILITY FOR PUBLIC HOUSING.—

(1) * * *

(2) PHA INCOME MIX.—

(A) TARGETING.—Except as provided in paragraph (4), of the public housing dwelling units of a public housing agency made available for occupancy in any fiscal year by eligible families, not less than 40 percent shall be occupied by families whose incomes at the time of commencement of occupancy do not exceed *the higher of (i) the poverty line (as such term is defined in section 673 of the Omnibus Budget Reconciliation Act of 1981 (42 U.S.C. 9902), including any revision required by such section) applicable to a family of the size involved, or (ii)* 30 percent of the area median income, as determined by the Secretary with adjustments for smaller and larger families; except that the Secretary may establish income ceilings higher or lower than 30 percent of the area median income on the basis of the Secretary's findings that such variations are necessary because of unusually high or low family incomes*; and except that clause (i) of this sentence shall not apply in the case of families residing in Puerto Rico or any other territory or possession of the United States*.

* * * * * * *

(b) INCOME ELIGIBILITY FOR TENANT-BASED SECTION 8 ASSISTANCE.—

(1) IN GENERAL.—Of the families initially provided tenant-based assistance under section 8 by a public housing agency in any fiscal year, not less than 75 percent shall be families whose incomes do not exceed *the higher of (A) the poverty line (as such term is defined in section 673 of the Omnibus Budget Reconciliation Act of 1981 (42 U.S.C. 9902), including any revision required by such section) applicable to a family of the size involved, or (B)* 30 percent of the area median income, as determined by the Secretary with adjustments for smaller and larger families; except that the Secretary may establish income ceilings higher or lower than 30 percent of the area median income on the basis of the Secretary's findings that such variations are necessary because of unusually high or low family incomes*; and except that clause (A) of this sentence shall not apply in the case of families residing in Puerto Rico or any other territory or possession of the United States*.

* * * * * * *

(c) INCOME ELIGIBILITY FOR PROJECT-BASED SECTION 8 ASSISTANCE.—

(1) * * *

* * * * * * *

(3) TARGETING.—For each project assisted under a contract for project-based assistance, of the dwelling units that become available for occupancy in any fiscal year that are assisted under the contract, not less than 40 percent shall be available for leasing only by families whose incomes at the time of commencement of occupancy do not exceed *the higher of (A) the poverty line (as such term is defined in section 673 of the Omnibus Budget Reconciliation Act of 1981 (42 U.S.C. 9902), including any revision required by such section) applicable to a family of the size involved, or (B)* 30 percent of the area median income, as determined by the Secretary with adjustments for smaller and larger families; except that the Secretary may establish income ceilings higher or lower than 30 percent of the area median income on the basis of the Secretary's findings that such variations are necessary because of unusually high or low family incomes*; and except that clause (A) of this sentence shall not apply in the case of families residing in Puerto Rico or any other territory or possession of the United States*.

* * * * * * *

(e) ELIGIBILITY FOR ASSISTANCE BASED ON ASSETS.—

(1) LIMITATION ON ASSETS.—Subject to paragraph (3) and notwithstanding any other provision of this Act, a dwelling unit assisted under this Act may not be rented and assistance under this Act may not be provided, either initially or at each recertification of family income, to any family—

(A) whose net family assets exceed $100,000, as such amount is adjusted annually by applying an inflationary factor as the Secretary considers appropriate; or

(B) who has a present ownership interest in, and a legal right to reside in, real property that is suitable for occupancy as a residence, except that the prohibition under this subparagraph shall not apply to—

(i) any property for which the family is receiving assistance under this Act;

(ii) any person that is a victim of domestic violence; or

(iii) any family that is making a good faith effort to sell such property.

(2) NET FAMILY ASSETS.—

(A) IN GENERAL.—For purposes of this subsection, the term "net family assets" means, for all members of the household, the net cash value of all assets after deducting reasonable costs that would be incurred in disposing of real property, savings, stocks, bonds, and other forms of capital investment. Such term does not include interests in Indian trust land, equity accounts in homeownership programs of the Department of Housing and Urban Development, or Family Self Sufficiency accounts.

(B) EXCLUSIONS.—Such term does not include—

(i) the value of personal property, except for items of personal property of significant value, as the public housing agency may determine;

(ii) the value of any retirement account;

(iii) any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a member of the family and arising out of law, that resulted in a member of the family being disabled (under the meaning given such term in section 1614 of the Social Security Act (42 U.S.C. 1382c)); and

(iv) the value of any Coverdell education savings account under section 530 of the Internal Revenue Code of 1986 or any qualified tuition program under section 529 of such Code.

(C) TRUST FUNDS.—In cases where a trust fund has been established and the trust is not revocable by, or under the control of, any member of the family or household, the value of the trust fund shall not be considered an asset of a family if the fund continues to be held in trust. Any income distributed from the trust fund shall be considered income for purposes of section 3(b) and any calculations of annual family income, except in the case of medical expenses for a minor.

(D) SELF-CERTIFICATION.—A public housing agency or owner may determine the net assets of a family, for purposes of this section, based on the amounts reported by the family at the time the agency or owner reviews the family's income.

(3) COMPLIANCE FOR PUBLIC HOUSING DWELLING UNITS.—When recertifying family income with respect to families residing in public housing dwelling units, a public housing agency may, in the discretion of the agency and only pursuant to a policy that is set forth in the public housing agency plan under section 5A for the agency, choose not to enforce the limitation under paragraph (1).

(4) AUTHORITY TO DELAY EVICTIONS.—In the case of a family residing in a dwelling unit assisted under this Act who does not comply with the limitation under paragraph (1), the public housing agency or project owner may delay eviction or termination of the family based on such noncompliance for a period of not more than 6 months.

* * * * * * *

SEC. 23. FAMILY SELF-SUFFICIENCY PROGRAM.

(a) * * *

* * * * * * *

(h) ALLOWABLE PUBLIC HOUSING AGENCY ADMINISTRATIVE FEES AND COSTS.—

[(1) SECTION 8 FEES.—The Secretary shall establish a fee under section 8(q) for the costs incurred in administering the provision of certificate and voucher assistance under section 8 through the self-sufficiency program under this section. The fee shall be the fee in effect under such section on June 1, 1990, except that for purposes of the fee under this paragraph the applicable dollar amount for preliminary expenses under section 8(q)(2)(A)(i) shall, subject to approval in appropriations Acts, be $300. Upon the submission by the Comptroller Gen-

eral of the United States of the report required under section 554(b) of the Cranston-Gonzalez National Affordable Housing Act, the Secretary shall revise the fee under this paragraph, taking into consideration the report of the Comptroller General.]

(1) SECTION 8 FEES.—

(A) IN GENERAL.—The Secretary shall establish a fee under section 8(q) for the costs incurred in administering the self-sufficiency program under this section to assist families receiving voucher assistance through section 8(o).

(B) ELIGIBILITY FOR FEE.—The fee shall provide funding for family self-sufficiency coordinators as follows:

(i) BASE FEE.—A public housing agency serving 25 or more participants in the family self-sufficiency program under this section shall receive a fee equal to the costs of employing one full-time family self-sufficiency coordinator. An agency serving fewer than 25 such participants shall receive a prorated fee.

(ii) ADDITIONAL FEE.—An agency that meets minimum performance standards shall receive an additional fee sufficient to cover the costs of employing a second family self-sufficiency coordinator if the agency has 75 or more participating families, and a third such coordinator if it has 125 or more participating families.

(iii) PREVIOUSLY FUNDED AGENCIES.—An agency that received funding from the Department of Housing and Urban Development for more than three such coordinators in any of fiscal years 1998 through 2007 shall receive funding for the highest number of coordinators funded in a single fiscal year during that period, provided they meet applicable size and performance standards.

(iv) INITIAL YEAR.—For the first year in which a public housing agency exercises its right to develop an family self-sufficiency program for its residents, it shall be entitled to funding to cover the costs of up to one family self-sufficiency coordinator, based on the size specified in its action plan for such program.

(v) STATE AND REGIONAL AGENCIES.—For purposes of calculating the family self-sufficiency portion of the administrative fee under this subparagraph, each administratively distinct part of a State or regional public housing agency shall be treated as a separate agency.

(vi) DETERMINATION OF NUMBER OF COORDINATORS.—In determining whether a public housing agency meets a specific threshold for funding pursuant to this paragraph, the number of participants being served by the agency in its family self-sufficiency program shall be considered to be the average number of families enrolled in such agency's program during the course of the most recent fiscal year for which the Department of Housing and Urban Development has data.

(C) PRORATION.—If insufficient funds are available in any fiscal year to fund all of the coordinators authorized under this section, the first priority shall be given to funding one coordinator at each agency with an existing family self-sufficiency program. The remaining funds shall be prorated based on the number of remaining coordinators to which each agency is entitled under this subparagraph.

(D) RECAPTURE.—Any fees allocated under this subparagraph by the Secretary in a fiscal year that have not been spent by the end of the subsequent fiscal year shall be recaptured by the Secretary and shall be available for providing additional fees pursuant to subparagraph (B)(ii).

(E) PERFORMANCE STANDARDS.—Within six months after the date of the enactment of this paragraph, the Secretary shall publish a proposed rule specifying the performance standards applicable to funding under clauses (ii) and (iii) of subparagraph (B). Such standards shall include requirements applicable to the leveraging of in-kind services and other resources to support the goals of the family self-sufficiency program.

(F) DATA COLLECTION.—Public housing agencies receiving funding under this paragraph shall collect and report to the Secretary, in such manner as the Secretary shall require, information on the performance of their family self-sufficiency programs.

(G) EVALUATION.— The Secretary shall conduct a formal and scientific evaluation of the effectiveness of well-run family self-sufficiency programs, using random assignment of participants to the extent practicable. Not later than the expiration of the 4-year period beginning upon the enactment of this paragraph, the Secretary shall submit an interim evaluation report to the Congress. Not later than the expiration of the 8-year period beginning upon such enactment, the Secretary shall submit a final evaluation report to the Congress. There is authorized to be appropriated $10,000,000 to carry out the evaluation under this subparagraph.

(H) INCENTIVES FOR INNOVATION AND HIGH PERFORMANCE.—The Secretary may reserve up to 10 percent of the amounts made available for administrative fees under this paragraph to provide support to or reward family self-sufficiency programs that are particularly innovative or highly successful in achieving the goals of the program.

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SEC. 36. HOUSING INNOVATION PROGRAM.

(a) PURPOSE.—The purpose of the program under this section is to provide public housing agencies and the Secretary the flexibility to design and evaluate innovative approaches to providing housing assistance that—

(1) increase housing opportunities for low-income families, including preventing homelessness, rehabilitate or replace housing at risk of physical deterioration or obsolescence, and develop additional affordable housing;

(2) leverage other Federal, State, and local funding sources, including the low-income housing tax credit program, to expand and preserve affordable housing opportunities, including public housing;

(3) provide financial incentives and other support mechanisms to families to obtain employment and increase earned income;

(4) test alternative rent-setting policies to determine whether rent determinations can be simplified and administrative cost savings can be realized while protecting extremely low- and very low-income families from increased rent burdens;

(5) are subject to rigorous evaluation to test the effectiveness of such innovative approaches; and

(6) are developed with the support of the local community and with the substantial participation of affected residents.

(b) PROGRAM AUTHORITY.—

(1) SCOPE.—The Secretary shall carry out a housing innovation program under this section under which the Secretary may designate not more than 60 public housing agencies to participate, at any one time, in the housing innovation program, in accordance with subsections (c) and (d), except that, in addition to such 60 agencies, the Secretary may designate an additional 20 agencies to participate in the program under the terms of subsection (h).

(2) DURATION.—The Secretary may carry out the housing innovation program under this section only during the 10-year period beginning on the date of the enactment of the Section 8 Voucher Reform Act of 2007.

(c) PARTICIPATION OF EXISTING MTW AGENCIES.—

(1) EXISTING MTW AGENCIES.—Subject to the requirements of paragraph (2), all existing MTW agencies shall be designated to participate in the program.

(2) CONDITIONS OF PARTICIPATION.—The Secretary shall approve and transfer into the housing innovation program under this section each existing MTW agency that the Secretary determines is not in default under such agreement and which the Secretary also determines is meeting the goals and objectives of its moving to work plan. Each such agency shall, within two years after the date of the enactment of the Section 8 Voucher Reform Act of 2007, make changes to its policies that were implemented before such date of enactment in order to comply with the requirements of this section.

(d) ADDITIONAL AGENCIES.—

(1) PROPOSALS; SELECTION PROCESS.—In addition to agencies participating in the program pursuant to subsection (c), the Secretary shall, within 18 months after such date of enactment, select public housing agencies to participate in the program pursuant to a competitive process that meets the following requirements:

(A) Any public housing agency may be selected to participate in the program, except that not more than 5 agencies that are near-troubled under the public housing assessment system and/or section 8 management assessment program may be selected, and except that any agency for which the Secretary has hired an alternative management entity for

such agency or has taken possession of all or any part of such agency's public housing program shall not be eligible for participation. Any near-troubled public housing agency participating in the program shall remain subject to the requirements of this Act governing tenant rent contributions, eligibility, and continued participation, and may not adopt policies described in subsection (e)(4) (relating to rents and requirements for continued occupation and participation).

(B) The process provides, to the extent possible based on eligible agencies submitting applications and taking into account existing MTW agencies participating pursuant to subsection (c), for representation among agencies selected of agencies having various characteristics, including both large and small agencies, agencies serving urban, suburban, and rural areas, and agencies in various geographical regions throughout the United States, and which may include the selection of agencies that only administer the voucher program under section 8(o).

(C) Any agency submitting a proposal under this paragraph shall have provided notice to residents and the local community, not later than 30 days before the first of the two public meetings required under subparagraph (D).

(D) The agency submitting a proposal shall hold two public meetings to receive comments on the agency's proposed application, on the implications of changes under the proposal, and the possible impact on residents.

(E) The process includes criteria for selection, as follows:

(i) The extent to which the proposal generally identifies existing rules and regulations that impede achievement of the goals and objectives of the proposal and an explanation of why participation in the program is necessary to achieve such goals and objectives.

(ii) The extent of commitment and funding for carrying out the proposal by local government agencies and nonprofit organizations, including the provision of additional funding and other services, and the extent of support for the proposal by residents, resident advisory boards, and members of the local community.

(iii) The extent to which the agency has a successful history of implementing strategies similar to those set forth in the agency's proposal.

(iv) Whether the proposal pursues a priority strategy as specified in paragraph (2). In the case of any proposal utilizing a such a priority strategy, the proposal shall be evaluated based upon—

(I) the extent to which the proposal is likely to achieve the objectives of developing additional housing dwelling units affordable to extremely low-, very low-, and low-income families, and preserving, rehabilitating, or modernizing existing public housing dwelling units; or

(II) the extent to which the proposal is likely to achieve the purposes of moving families toward economic self-sufficiency and increasing employment rates and wages of families without imposing

a significant rent burden on the lowest income families, as well as such of the additional purposes as may be identified in the proposal, which may include expanding housing choices utilizing coordinators for the family self-sufficiency program under section 23, making more effective use of program funds, and improving program management.

(v) Such other factors as the Secretary may provide, in consultation with participating agencies, program stakeholders, and any entity conducting evaluations pursuant to subsection (f).

(2) PRIORITY STRATEGIES.—For purposes of paragraph (1)(E)(iv), the following are priority strategies:

(A) DEVELOPMENT, REHABILITATION, AND FINANCING.—A strategy of development of additional affordable housing dwelling units and/or a strategy for preservation and physical rehabilitation and modernization of existing public housing dwelling units. Such strategies may include innovative financing proposals, leveraging of non-public housing funds (including the low-income housing tax credit program), and combining of funds for assistance under sections 8 and 9. Each such proposal shall include detailed information about the strategies expected to be employed, an explanation of why participation in the program is necessary to employ such strategies, and numerical goals regarding the number of dwelling units to be developed, preserved, or rehabilitated.

(B) RENT REFORMS.—A strategy to implement rent reforms, which shall be designed to help families increase their earned income through rent and other work incentives, and may also test the effectiveness of achieving administrative cost savings without increased rent burdens for extremely low- and very low-income families.

(3) CONTRACT AMENDMENT.—After selecting agencies under this subsection, the Secretary shall promptly amend the applicable annual contributions contracts of such agencies to provide that—

(A) subject to subparagraph (B), such agencies may implement any policies and activities that are not inconsistent with this section without specifying such policies and activities in such amendment and without negotiating or entering into any other agreements with the Secretary specifying such policies and activities; and

(B) the activities to be implemented by an agency under the program in a given year shall be described in and subject to the requirements of the annual plan under subsection (e)(8). Upon the enactment of this section, any agency which has participated in the Moving to Work demonstration may, at its option, be subject to the provisions of this paragraph in lieu of any other agreement required by the Secretary for participation in the program.

(4) MAINTAINING PARTICIPATION RATE.—If, at any time after the initial selection period under paragraph (1), the number of public housing agencies participating in the program under this section is fewer than 40, the Secretary shall promptly solicit ap-

plications from and select public housing agencies to participate in the program under the terms and conditions for application and selection provided in this section to increase the number of agencies participating in the program to 40.

(e) PROGRAM REQUIREMENTS.—

(1) PROGRAM FUNDS.—

(A) IN GENERAL.—To carry out a housing innovation program under this section, the participating agency may use amounts provided to the agency from the Operating Fund under section 9(e), amounts provided to the agency from the Capital Fund under section 9(d), and amounts provided to the agency for voucher assistance under section 8(o). Such program funds may be used for any activities that are authorized by sections 8(o) or 9, or for other activities that are not inconsistent with this section, which shall include, without limitation—

(i) providing capital and operating assistance, and financing for housing previously developed or operated pursuant to a contract between the Secretary and such agency;

(ii) the acquisition, new construction, rehabilitation, financing, and provision of capital or operating assistance for low-income housing (including housing other than public housing) and related facilities, which may be for terms exceeding the term of the program under this section in order to secure other financing for such housing;

(iii) costs of site acquisition and improvement, providing utility services, demolition, planning, and administration of activities under this paragraph;

(iv) housing counseling for low-income families in connection with rental or homeownership assistance provided under the program;

(v) safety, security, law enforcement, and anticrime activities appropriate to protect and support families assisted under the program;

(vi) tenant-based rental assistance, which may include the project-basing of such assistance; and

(vii) appropriate and reasonable financial assistance that is required to preserve low-income housing otherwise assisted under programs administered by the Secretary or under State or local low-income housing programs.

(B) COMBINING FUNDS.—Notwithstanding any other provision of law, a participating agency may combine and use program funds for any activities authorized under this section, except that a participating agency may use funds provided for assistance under section 8(o) for activities other than those authorized under section 8(o) only if (i) in the calendar year prior to its participation in the program, the agency utilized not less than 95 percent of such funds allocated for that calendar year for such authorized activities or 95 percent of its authorized vouchers, including vouchers ported in to the agency and vouchers ported out; or (ii) after approval to participate in the program, the agency achieves

such utilization for a 12-month period. This subparagraph shall not apply to participating agencies approved by the Secretary to combine funds from sections 8 and 9 of the Act prior to enactment of this section.

(2) USE OF PROGRAM FUNDS.—In carrying out the housing innovation program under this section, each participating agency shall continue to assist—

(A) not less than substantially the same number of eligible low-income families under the program as it assisted in the base year for the agency; and

(B) a comparable mix of families by family size, subject to adjustment to reflect changes in the agency's waiting list, except that the Secretary may approve exceptions to such requirements for up to 3 years based on modernization or redevelopment activities proposed in an annual plan submitted and approved in accordance with paragraph (8).

Determinations with respect to the number of families served shall be adjusted based on any allocation of additional vouchers under section 8(o) and to reflect any change in the percentage of program funds that a participating agency receives compared to the base year.

(3) RETAINED PROVISIONS.—Notwithstanding any other provision of this section, families receiving assistance under this section shall retain the same rights of judicial review of agency action as they would otherwise have had if the agency were not participating in the program, and each participating agency shall comply with the following provisions of this Act:

(A) Subsections (a)(2)(A) and (b)(1) of section 16 (relating to targeting for new admissions in the public housing and voucher programs).

(B) Section 2(b) (relating to tenant representatives on the public housing agency board of directors).

(C) Section 3(b)(2) (relating to definitions for the terms "low-income families" and "very low-income families").

(D) Section 5(A)(e) (relating to the formation of and consultation with a resident advisory board).

(E) Sections 6(f)(1) and 8(o)(8)(B) (relating to compliance of units assisted with housing quality standards or other codes).

(F) Sections 6(c)(3), 6(c)(4)(i), and 8(o)(6)(B) (relating to rights of public housing applicants and existing procedural rights for applicants under section 8(o)).

(G) Section 6(k) (relating to grievance procedures for public housing tenants) and comparable procedural rights for families assisted under section 8(o).

(H) Section 6(l) (relating to public housing lease requirements), except that for units assisted both with program funds and low-income housing tax credits, the initial lease term may be less than 12 months if required to conform lease terms with such tax credit requirements.

(I) Section 7 (relating to designation of housing for elderly and disabled households), except that a participating agency may make such designations(at initial designation or upon renewal) for a term of up to 5 years if the agency includes in its annual plan under paragraph (8) an anal-

ysis of the impact of such designations on affected households and such designation is subject to the program evaluation. Any participating agency with a designated housing plan that was approved under the moving to work demonstration may continue to operate under the terms of such plan for a term of 5 years (with an option to renew on the same terms for an additional 5 years) if it includes in its annual plan an analysis of the impact of such designations on affected households and is subject to evaluation under subsection (f).

(J) Subparagraphs (C) through (E) of section 8(o)(7) (relating to lease requirements and eviction protections for families assisted with tenant-based assistance).

(K) Subject to paragraph (1)(B) of this subsection, section 8(o)(13)(B) (relating to a percentage limitation on project-based assistance), except that for purposes of this subparagraph such section shall be applied by substituting "50 percent" for "20 percent".

(L) Section 8(o)(13)(E) (relating to resident choice for tenants of units with project-based vouchers), except with respect to—

(i) in the case of agencies participating in the moving to work demonstration, any housing assistance payment contract entered into within 2 years after the enactment of this section;

(ii) project-based vouchers that replace public housing units;

(iii) not more than 10 percent of the vouchers available to the participating agency upon entering the housing innovation program under this section; and

(iv) any project-based voucher program that is subject to evaluation under subsection (f).

(M) Section 8(r) (relating to portability of voucher assistance), except that a participating agency may receive funding for portability obligations under section 8(dd) in the same manner as other public housing agencies.

(N) Subsections (a) and (b) of section 12 (relating to payment of prevailing wages).

(O) Section 18 (relating to demolition and disposition of public housing).

(4) RENTS AND REQUIREMENTS FOR CONTINUED OCCUPANCY OR PARTICIPATION.—

(A) BEFORE POLICY CHANGE.—Before adopting any policy pursuant to participation in the housing innovation program under this section that would make a material change to the requirements of this Act regarding tenant rents or contributions, or conditions of continued occupancy or participation, a participating agency shall complete each of the following actions:

(i) The agency shall conduct an impact analysis of the proposed policy on families the agency is assisting under the program under this section and on applicants on the waiting list, including analysis of the incidence and severity of rent burdens greater than 30 percent of adjusted income on households of various sizes

and types and in various income tiers, that would result, if any, without application of the hardship provisions. The analysis with respect to applicants on the waiting list may be limited to demographic data provided by the applicable consolidated plan, information provided by the Secretary, and other generally available information. The proposed policy, including provisions for addressing hardship cases and transition provisions that mitigate the impact of any rent increases or changes in the conditions of continued occupancy or participation, and data from this analysis shall be made available for public inspection for at least 60 days in advance of the public meeting described in clause (ii).

(ii) The agency shall hold a public meeting regarding the proposed change, including the hardship provisions, which may be combined with a public meeting on the draft annual plan under paragraph (8) or the annual report under paragraph (9).

(iii) The board of directors or other similar governing body of the agency shall approve the change in public session.

(iv) The agency shall obtain approval from the Secretary of the annual plan or plan amendment. The Secretary may approve a plan or amendment containing a material change to the requirements of this Act regarding tenant rents or contributions, or conditions of continued occupancy or participation, only if the agency agrees that such policy may be included as part of the national evaluation.

(B) AFTER POLICY CHANGE.—After adopting a policy described in subparagraph (A), a program agency shall complete each of the following actions:

(i) The agency shall provide adequate notice to residents, which shall include a description of the changes in the public housing lease or participation agreement that may be required and of the hardship or transition protections offered.

(ii) In the case of any additional requirements for continued occupancy or participation, the agency shall execute a lease addendum or participation agreement specifying the requirements applicable to both the resident and the agency. A resident may bring a civil action to enforce commitments of the agency made through the lease addendum or participation agreement.

(iii) The agency shall reassess rent, subsidy level, and policies on program participation no less often than every two years, which shall include preparing a revised impact analysis, and make available to the public the results of such reassessment and impact analysis. The requirement under this clause may be met by sufficiently detailed interim reports, if any, by the national evaluating entity.

(iv) The agency shall include in the annual report under paragraph (8) information sufficient to describe any hardship requests, including the number and types of requests made, granted, and denied, the use of transition rules, and adverse impacts resulting from changes in rent or continued occupancy policies, including actions taken by the agency to mitigate such impacts and impacts on families no longer assisted under the program.

(C) APPLICABILITY TO EXISTING MTW AGENCIES.—An existing MTW agency that, before the date of the enactment of this section, implemented material changes to the requirements of this Act regarding tenant rents or contributions, or conditions of continued occupancy or participation, as part of the moving to work demonstration shall not be subject to subparagraph (A) with regard to such previously implemented changes, but shall comply with the requirements of subparagraph (B)(ii) and provide the evaluation and impact analysis required by subparagraph (B)(iii) by the end of the second agency fiscal year ending after such date of enactment.

(5) PROHIBITION AGAINST DECREASE IN PROGRAM FUNDS.—The amount of program funds a participating agency receives shall not be diminished by its participation in the housing innovation program under this section.

(6) SUBMISSION OF INFORMATION.—As part of the annual report required under subsection (g)(2), each participating agency shall submit information annually to the Secretary regarding families assisted under the program of the agency and comply with any other data submissions required by the Secretary for purposes of evaluation of the program under this section.

(7) PUBLIC AND RESIDENT PARTICIPATION.—Each participating agency shall provide opportunities for resident and public participation in the annual plan under paragraph (8), as follows:

(A) NOTICE TO RESIDENTS.—

(i) NOTICE.—Each year, the agency shall provide notice to the low-income families it serves under the programs authorized by this section as to the impact of proposed policy changes and program initiatives and of the schedule of resident advisory board and public meetings for the annual plan.

(ii) MEETING.—The agency shall hold at least one meeting with the resident advisory board (including representatives of recipients of assistance under section 8) to review the annual plan for each year.

(B) PUBLIC MEETING.—With respect to each annual plan, the agency shall hold at least one annual public meeting to obtain comments on the plan, which may be combined with a meeting to review the annual report. In the case of any agency that administers, in the aggregate, more than 15,000 public housing units and vouchers, the agency shall hold additional meetings in locations that promote attendance by residents and other stakeholders.

(C) PUBLIC AVAILABILITY.—Before adoption of any annual plan, and not less than 30 days before the public meeting required under subparagraph (A)(ii) with respect to the plan, the agency shall make the proposed annual plan available for public inspection. The annual plan shall be made available for public inspection not less than 30 days before approval by the board of directors (or other similar governing body) of the agency and shall remain publicly available.

(D) BOARD APPROVAL.—Before submitting an annual plan or annual report to the Secretary, the plan or report, as applicable, shall be approved in a public meeting by the board of directors or other governing body of the agency.

(8) ANNUAL PLAN.—

(A) REQUIREMENT.—For each year that a participating agency participates in the housing innovation program under this section, the agency shall submit to the Secretary, in lieu of all other planning requirements, an annual plan under this paragraph.

(B) CONTENTS.—Each annual plan shall include the following information:

(i) A list and description of all program initiatives and generally applicable policy changes, including references to affected provisions of law or the implementing regulations affected.

(ii) A description and comparison of changes under the housing innovation program of the agency from the plan for such program for the preceding year.

(iii) A description of property redevelopment or portfolio repositioning strategies and proposed changes in policies or uses of funds required to implement such strategies.

(iv) Documentation of public and resident participation sufficient to comply with the requirements under paragraphs (4) and (7), including a copy of any recommendations submitted in writing by the resident advisory board of the agency and members of the public, a summary of comments, and a description of the manner in which the recommendations were addressed.

(v) Certifications by the agency that—

(I) the annual plan will be carried out in conformity with title VI of the Civil Rights Act of 1964, the Fair Housing Act, section 504 of the Rehabilitation Act of 1973, title II of the Americans with Disabilities Act of 1990, and the rules, standards, and policies in the approved plan;

(II) the agency will affirmatively further fair housing; and

(III) the agency has complied and will continue to comply with its obligations under the national evaluation.

(vi) A description of the agency's local asset management strategy for public housing properties, which shall be in lieu of any other asset management, project based management or accounting, or other system of

allocating resources and costs to participating agency assets or cost centers that the Secretary may otherwise impose under this Act.

(C) CHANGES.—If the agency proposes to make material changes in policies or initiatives in the plan during the year covered by the plan, the agency shall consult with the resident advisory board for the agency established pursuant to section 5A(e) and the public regarding such changes before their adoption.

(D) APPROVAL PROCESS.—

(i) TIMING.—The Secretary shall review and approve or disapprove each annual plan submitted to the Secretary within 45 days after such submission.

(ii) STANDARDS FOR DISAPPROVAL.—The Secretary may disapprove a plan only if—

(I) the Secretary reasonably determines, based on information contained in the annual plan or annual report, that the agency is not in compliance with the requirements of this section;

(II) the annual plan or most recent annual report is not consistent with other reliable information available to the Secretary; or

(III) the annual plan or annual report or the agency's activities under the program are not otherwise in accordance with applicable law.

(iii) FAILURE TO DISAPPROVE.—If a submitted plan is not disapproved within 45 days after submission, the plan shall be considered to be approved for purposes of this section. The preceding sentence shall not preclude judicial review regarding such compliance pursuant to chapter 7 of title 5, United States Code, or an action regarding such compliance under section 1979 of the Revised Statutes of the United States (42 U.S.C. 1983).

(f) EVALUATION OF PERFORMANCE.—

(1) IN GENERAL.—Not later than the expiration of the one-year period that begins upon selection under subsection (d) of at least half of the number of agencies able to participate in the program under this section, the Secretary shall conduct detailed evaluations of all public housing agencies participating in the program under this section—

(A) to determine the level of success of each public housing agency in achieving the purposes of the program under subsection (a); and

(B) to identify program models that can be replicated by other agencies to achieve such success.

(2) REPORTS.—

(A) IN GENERAL.—The Secretary shall submit three reports to the Congress, as provided in subparagraph (B), evaluating the programs of all public housing agencies participating in the program under this section and all agencies participating in the moving to work demonstration. Each such report shall include findings and recommendations for any appropriate legislative action.

(B) TIMING.—The reports under this paragraph shall include—

(i) an initial report, which shall be submitted before the expiration of the 3-year period beginning on the date of the enactment of the Section 8 Voucher Reform Act of 2007;

(ii) an interim report, which shall be submitted before the expiration of the 5-year period beginning on such date of enactment; and

(iii) a final report, which shall be submitted before the expiration of the 10-year period beginning on such date of enactment.

(3) EVALUATING ENTITY.— The Secretary may contract out the responsibilities under this paragraphs (1) and (2) to an independent entity that is qualified to perform such responsibilities.

(4) PERFORMANCE MEASURES.—The Secretary or the evaluating entity, as applicable, shall establish performance measures, which may include—

(A) a baseline performance level against which program activities may be evaluated; and

(B) performance measures for—

(i) increasing housing opportunities for extremely low-, very low-, and low-income families, replacing or rehabilitating housing at risk of physical deterioration or obsolescence, and developing additional affordable housing;

(ii) leveraging other Federal, State, and local funding sources, including the low-income housing tax credit program, to expand and preserve affordable housing opportunities, including public housing;

(iii) moving families to self-sufficiency and increasing employment rates and wages of families without imposing a significant rent burden on the families having the lowest incomes;

(iv) reducing administrative costs; and

(v) any other performance measures that the Secretary or evaluating entity, as applicable, may establish.

(g) RECORDKEEPING, REPORTS, AND AUDITS.—

(1) RECORDKEEPING.—Each public housing agency participating in the program under this section shall keep such records as the Secretary may prescribe as reasonably necessary to disclose the amounts and the disposition of amounts under the program, to ensure compliance with the requirements of this section, and to measure performance.

(2) REPORTS.—In lieu of all other reporting requirements, each such agency participating in the program shall submit to the Secretary an annual report in a form and at a time specified by the Secretary. Each annual report shall include the following information:

(A) A description, including an annual consolidated financial report, of the sources and uses of funds of the agency under the program, which shall account separately for funds made available under section 8 and subsections (d) and (e) of section 9, and shall compare the agency's actions under the program with its annual plan for the year.

(B) An annual audit that complies with the requirements of Circular A-133 of the Office of Management and Budget, including the OMB Compliance Supplement.

(C) A description of each hardship exception requested and granted or denied, and of the use of any transition rules.

(D) Documentation of public and resident participation sufficient to comply with the requirements under paragraph (7).

(E) A comparison of income and the sizes and types of families assisted by the agency under the program compared to those assisted by the agency in the base year.

(F) Every two years, an evaluation of rent policies, subsidy level policies, and policies on program participation.

(G) A description of any ongoing local evaluations and the results of any local evaluations completed during the year.

(3) ACCESS TO DOCUMENTS BY SECRETARY.—The Secretary shall have access for the purpose of audit and examination to any books, documents, papers, and records that are pertinent to assistance in connection with, and the requirements of, this section.

(4) ACCESS TO DOCUMENTS BY THE COMPTROLLER GENERAL.—The Comptroller General of the United States, or any of the duly authorized representatives of the Comptroller General, shall have access for the purpose of audit and examination to any books, documents, papers, and records that are pertinent to assistance in connection with, and the requirements of, this section.

(5) REPORTS REGARDING EVALUATIONS.—The Secretary shall require each public housing agency participating in the program under this section to submit to the Secretary, as part of the agency's annual report under paragraph (2), such information as the Secretary considers appropriate to permit the Secretary to evaluate (pursuant to subsection (f)) the performance and success of the agency in achieving the purposes of the demonstration.

(h) ADDITIONAL PROGRAM AGENCIES.—In participating in the program under the terms of this subsection, the public housing agencies designated for such participation shall be subject to the requirements of this section, and the additional following requirements:

(1) APPLICABILITY OF CERTAIN EXISTING PROVISIONS.—Such agencies shall be subject to the provisions of—

(A) subsections (a) and (b) of section 3; and

(B) section 8(o), except for paragraph (11) and except that such agencies shall not be required to comply with any provision of such section 8(o) that pursuant to subsection (e)(3) of this section does not apply to agencies that are subject to such section (e)(3).

(2) NO TIME LIMITS.—Such agencies may not impose time limits on the term of housing assistance received by families under the program.

(3) NO EMPLOYMENT CONDITIONS.—Such agencies may not condition the receipt of housing assistance by families under the

program on the employment status of one of more family members.

(4) ONE-FOR-ONE REPLACEMENT.—

(A) CONDITIONS ON DEMOLITION.—Such agencies may not demolish or dispose of any dwelling unit of public housing operated or administered by such agency (including any uninhabitable unit and any unit previously approved for demolition) except pursuant to a plan for replacement of such units in accordance with, and approved by the Secretary of Housing and Urban Development pursuant to, subparagraph (B).

(B) PLAN REQUIREMENTS.—The Secretary may not approve a plan that provides for demolition or disposition of any dwelling unit of public housing referred to in subparagraph (A) unless—

(i) such plan provides for outreach to public housing agency residents in accordance with paragraph (5);

(ii) not later than 60 days before the date of the approval of such plan, such agency has convened and conducted a public hearing regarding the demolition or disposition proposed in the plan;

(iii) such plan provides that for each such dwelling unit demolished or disposed of, such public housing agency will provide an additional dwelling unit through—

(I) the acquisition or development of additional public housing dwelling units; or

(II) the acquisition, development, or contracting (including through project-based assistance) of additional dwelling units that are subject to requirements regarding eligibility for occupancy, tenant contribution toward rent, and long-term affordability restrictions which are comparable to public housing units;

(iv) such plan provides for a right, and implementation of such right, to occupancy of additional dwelling units provided in accordance with clause (iii), for households who, as of the time that dwelling units demolished or disposed of were vacated to provide for such demolition or disposition, were occupying such dwelling units;

(v) such plan provides that the proposed demolition or disposition and relocation will be carried out in a manner that affirmatively furthers fair housing, as described in subsection (e) of section 808 of the Civil Rights Act of 1968; and

(vi) to the extent that such plan provides for the provision of replacement or additional dwelling units, or redevelopment, in phases over time, such plan provides that the ratio of dwelling units described in subclauses (I) and (II) of clause (iii) that are provided in any such single phase to the total number of dwelling units provided in such phase is not less than the ratio of the aggregate number of such dwelling units provided under

the plan to the total number of dwelling units provided under the plan.

(C) INAPPLICABLE PROVISIONS.—Subparagraphs (B) and (D) of section 8(o)(13) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(13)) shall not apply with respect to vouchers used to comply with the requirements of subparagraph (B)(iii) of this paragraph.

(D) MONITORING.—The Secretary of Housing and Urban Development shall provide for the appropriate field offices of the Department to monitor and supervise enforcement of this paragraph and plans approved under this paragraph and to consult, regarding such monitoring and enforcement, with resident councils of, and residents of public housing operated or administered by, the agency.

(5) COMPREHENSIVE OUTREACH PLAN.—No program funds of such agencies may be use to demolish, dispose of, or eliminate any public housing dwelling units except in accordance with a comprehensive outreach plan for such activities, developed by the agency in conjunction with the residents of the public housing agency, as follows:

(A) The plan shall be developed by the agency and a resident task force, which may include members of the Resident Council, but may not be limited to such members, and which shall represent all segments of the population of residents of the agency, including single parent-headed households, the elderly, young employed and unemployed adults, teenage youth, and disabled persons.

(B) The votes and agreements regarding the plan shall involve not less than 25 and not more than 35 persons.

(C) The plan shall provide for and describe outreach efforts to inform residents of the program under this subsection, including a door-to-door information program, monthly newsletters to each resident household, monthly meetings dedicated solely to every aspect of the proposed development, including redevelopment factors, which shall include the one-for-one replacement requirement under paragraph (5), resident rights to return, the requirements of the program under this subsection, new resident support and community services to be provided, opportunities for participation in architectural design, and employment opportunities for residents, which shall reserve at least 70 percent of the jobs in demolition activities and 50 percent of the jobs in construction activities related to the redevelopment project, including job training, apprenticeships, union membership assistance.

(D) The plan shall provide for regularly scheduled monthly meeting updates and a system for filing complaints about any aspect of the redevelopment process.

(i) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

(1) EXISTING MTW AGENCY.—The term "existing MTW agency" means a public housing agency that as of the date of the enactment of the Section 8 Voucher Reform Act of 2007 has an existing agreement with the Secretary pursuant to the moving to work demonstration.

(2) BASE YEAR.—The term "base year" means, with respect to a participating agency, the agency fiscal year most recently completed prior to selection and approval for participation in the housing innovation program under this section.

(3) MOVING TO WORK DEMONSTRATION.—The term "moving to work demonstration" means the moving to work demonstration program under section 204 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1996 (42 U.S.C. 1437f note).

(4) PARTICIPATING AGENCIES.—The term "participating agencies" means public housing agencies designated and approved for participation, and participating, in the housing innovation program under this section.

(5) PROGRAM FUNDS.—The term "program funds" means, with respect to a participating agency, any amounts that the agency is authorized, pursuant to subsection (e)(1), to use to carry out the housing innovation program under this section of the agency.

(6) RESIDENTS.—The term "residents" means, with respect to a public housing agency, tenants of public housing of the agency and participants in the voucher or other housing assistance programs of the agency funded under section 8(o), or tenants of other units owned by the agency and assisted under this section.

(j) AUTHORIZATION OF APPROPRIATIONS FOR RESIDENT TECHNICAL ASSISTANCE.—There is authorized to be appropriated for each of fiscal years 2008 through 2012 $10,000,000, for providing capacity building and technical assistance to enhance the capabilities of low-income families assisted under the program under this section to participate in the process for establishment of annual plans under this section for participating agencies.

(k) AUTHORIZATION OF APPROPRIATIONS FOR EVALUATIONS.—There is authorized to be appropriated $15,000,000 to the Department of Housing and Urban Development for the purpose of conducting the evaluations required under subsection (f)(1).

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SECTION 202 OF THE DEPARTMENTS OF VETERANS AFFAIRS AND HOUSING AND URBAN DEVELOPMENT, AND INDEPENDENT AGENCIES APPROPRIATIONS ACT, 1997

[SEC. 202. ADMINISTRATIVE FEES.—Notwithstanding section 8(q) of the United States Housing Act of 1937, as amended—

[(a) The Secretary shall establish fees for the cost of administering the certificate, voucher and moderate rehabilitation programs.

[(1)(A) For fiscal year 1997, the fee for each month for which a dwelling unit is covered by an assistance contract shall be 7.5 percent of the base amount, adjusted as provided herein, in the case of an agency that, on an annual basis, is administering a program of no more than 600 units, and 7 percent of the base amount, adjusted as provided herein, for each additional unit above 600.

[(B) The base amount shall be the higher of—

[(i) the fair market rental for fiscal year 1993 for a 2-bedroom existing rental dwelling unit in the market area of the agency; and

[(ii) such fair market rental for fiscal year 1994, but not more than 103.5 percent of the amount determined under clause (i).

[(C) The base amount shall be adjusted to reflect changes in the wage data or other objectively measurable data that reflect the costs of administering the program during fiscal year 1996; except that the Secretary may require that the base amount be not less than a minimum amount and not more than a maximum amount.

[(2) For subsequent fiscal years, the Secretary shall publish a notice in the Federal Register, for each geographic area, establishing the amount of the fee that would apply for the agencies administering the program, based on changes in wage data or other objectively measurable data that reflect the cost of administering the program, as determined by the Secretary.

[(3) The Secretary may increase the fee if necessary to reflect higher costs of administering small programs and programs operating over large geographic areas.

[(4) The Secretary may decrease the fee for PHA-owned units.

[(b) Beginning in fiscal year 1997 and thereafter, the Secretary shall also establish reasonable fees (as determined by the Secretary) for—

[(1) the costs of preliminary expenses, in the amount of $500, for a public housing agency, but only in the first year it administers a tenant-based assistance program under the United States Housing Act of 1937 and only if, immediately before the effective date of this Act, it was not administering a tenant-based assistance program under the 1937 Act (as in effect immediately before the effective date of this Act), in connection with its initial increment of assistance received;

[(2) the costs incurred in assisting families who experience difficulty (as determined by the Secretary) in obtaining appropriate housing under the program; and

[(3) extraordinary costs approved by the Secretary.]

ADDITIONAL VIEWS OF HON. SPENCER BACHUS, HON. JUDY BIGGERT, AND HON. GARY MILLER

H.R. 1851, the Section 8 Voucher Reform Act of 2007 (SEVRA), makes a number of important improvements to the Section 8 program to reform and simplify regulations for local public housing agencies while preserving essential tenant protections.

The Section 8 housing voucher program is the nation's largest low-income housing assistance program helping over 2 million low-income households, elderly and disabled secure affordable modest housing in the private market. The program has grown to replace public housing as the primary tool for subsidizing the housing costs of low-income families. Through this program, the Department of Housing and Development (HUD) provides portable subsidies to individuals who seek rental housing from qualified and approved owners (tenant-based), and provides subsidies to private property owners who set aside some or all of their units for low-income families (project-based).

The Section 8 program began in 1974, primarily as a project-based rental assistance program. However, by the mid-1980s, project-based assistance came under criticism for being too costly and for concentrating poor families in high-poverty areas. Consequently, in 1983, Congress stopped providing new project-based Section 8 contracts and created vouchers as a new form of assistance. Today, vouchers are the primary tool of assistance provided under Section 8, although over 1 million units still receive project-based assistance under their original contracts or renewals of those contracts.

Over the years, the cost of the housing choice voucher has continued to increase and today consumes over 60 percent of HUD's budget. These cost increases can be attributed to a number of factors, not the least of which is the structure of the benefit. The value of a voucher is calculated as roughly the difference between rents in a community and 30 percent of participating households' incomes. In recent years, rents have been rising faster than incomes, which, along with federal policy changes designed to expand household choice and alleviate poverty, have driven up the cost of a voucher and therefore the cost of the program. This rate of increase, combined with an extremely complicated set of laws and rules that govern the voucher program, limits the program's effectiveness for families, many of whom must wait years to receive any help from their local housing authorities. In addition, the rising cost of this program has begun to impact funding for other key housing programs. In fact, for the first time in 2004, HUD programs such as Community Development Block Grants (CDBG) and HOME were forced to absorb budget cuts to pay for funding the Housing Choice Voucher program.

In an effort to deal with the rising cost of the Section 8 voucher program, the Administration has made several different reform proposals. In its FY 2004 budget, the Administration proposed a state-run block grant model, entitled "Housing Assistance for Needy" (HANF). The Subcommittee on Housing and Community Opportunity held a series of hearings on this proposal, but in the end, no legislative action was taken. In 2005, the Administration proposed a different approach. Instead of a block grant to the states, the Administration's Flexible Voucher Program (FVP) envisioned a dollar-based grant program to be administered by the Public Housing Authorities (PHAs). The Flexible Voucher Program was not considered by the 108th Congress; however, the Appropriations Committee did include provisions in the 2005 Consolidated Appropriations Act moving the program from a unit-based program to a dollar-based program.

Prior to 2004, PHAs were funded on a unit-basis. Their budgets were determined based on the number of vouchers they were allocated to administer at their actual costs. In FY 2004, the formula was changed to fund PHAs based on the number of vouchers they were expected to lease at a fixed cost. In FY 2005, the formula was changed again and PHAs were funded based on 2004 May–July VMS data, inflated for 2005 and prorated to 96 percent. In addition, the allocation of funds in FY 2005 was based on a three-month period in 2004 (May–July), which may have been a low-point for some PHAs' budgets. The result is that some PHAs receive more than they can utilize and others not enough.

To address this problem, on February 15, 2007, as part of the Continuing Resolution (P.L. 110–5), Congress reverted back to a funding formula based on actual costs and utilization. H.R. 1851 seeks to codify many of the changes made in the Continuing Resolution, and as with any funding formula change, there are winners and losers under the newly enacted funding mechanism. The fact that the funding formula has been repeatedly changed over the last several years has made it difficult for PHAs to administer their voucher programs and to plan for the future.

We support a funding formula that will be reasonable, fair and predictable. We support a formula that will provide PHAs the certainty they need to effectively and efficiently provide affordable housing to low-income families. Finally, we support a funding formula that includes incentives for agencies to improve their performance and to serve the maximum number of families in need. While we appreciate the spirit of the funding formula provisions included in H.R. 1851, we would like to see additional changes to the funding formula section that will help move us closer to achieving the above-mentioned goals.

It is critical to make improvements in the delivery of housing assistance to families in need. We believe this can be achieved by providing flexibility to local public housing authorities (PHAs) while holding them accountable for results. Such flexibility would enable PHAs to tailor and manage their programs to the needs of the families they serve in the local community instead of through a one-size-fits-all approach. This is important not only philosophically, but practically, because we face a situation of growing waiting lists for Section 8 vouchers without the resources to serve everyone. We

need to move current Section 8 recipients to self-sufficiency so that we can provide a similar helping hand to those who have patiently waited, in some cases for almost ten years, for assistance. The answer is not necessarily to increase funding. Rather, the answer is to allow PHAs to be innovative with the money they have, to be efficient and to help as many people in need as possible move through the program.

Our ultimate aim should not necessarily be to expand this program, but instead to reform it to allow PHAs to serve more people. While H.R. 1852 does not provide for as much flexibility as we believe is needed to achieve this goal, we are pleased that the bill increases the number of PHAs allowed to enjoy such flexibility under the Moving to Work (MTW) program, which has allowed a small group of PHAs to create locally based housing programs outside of HUD's one-size-fits-all regulations. The MTW program has enabled PHAs to create jobs for residents, add affordable housing stock, and help families build savings. The efforts of PHAs, which include incentives to gain employment, mixing of fund sources, relief from obsolete regulatory requirements, and effective use of funding for development and homeownership, have been successful in improving housing stock and serving more families by helping recipients achieve self-sufficiency. Currently, only 24 of the more than 3,000 PHAs nationwide are able to participate in the MTW program.

H.R. 1852 renames the Moving to Work program as the Housing Innovation Program (HIP) and increases the number of PHAs allowed to participate. The bill also directs HUD to establish performance standards for evaluating HIP agency results, taking into account variation in practice according to each local design. The evaluation is intended to be limited to assessing which policies and programs work under HIP, since having a one-size-fits-all performance standard system would undermine the flexibility of the program. Evaluation standards are tied to the specific performance goals set by the local agency. The strategies implemented by the PHAs participating in HIP can serve as examples of innovative ways to improve the program in the future to ensure that our limited federal resources may be used to help all of those who need it. With this performance evaluation, our goal is to be able to take away best practices for reform of the Section 8 program.

In addition, we are pleased that the bill enhances HUD's Family Self-Sufficiency Act (FSS) program by providing housing authorities with consistent coordinator funding. Housing authorities can then help more individuals move from public assistance to being self-sufficient homeowners. The legislation also includes performance measures, data collection, and an evaluation so that housing authorities are well-equipped and encouraged to operate effective FSS programs and can help more individuals.

We are hopeful that the innovation that can be produced through HIP and FSS will demonstrate ways to truly reform Section 8 so we can serve more people efficiently and help move them to self-sufficiency.

We look forward to working with the Chairs of the Committee on Financial Services and the Subcommittee on Housing and Community Opportunities to fine-tune the provisions of H.R. 1851 prior to this legislation being considered on the House floor. H.R. 1851 in-

cludes improvements that will help make the Section 8 program more efficient and effective. By working together in a bipartisan manner, we can make this legislation better serve low-income families and communities across the country.

SPENCER BACHUS.
JUDY BIGGERT.
GARY G. MILLER.

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