



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

September 14, 2012

H.R. 6361
Vulnerable Veterans Housing Reform Act of 2012
*As ordered reported by the House Committee on Financial Services
on September 12, 2012*

SUMMARY

H.R. 6361 would modify certain formulas for calculating subsidies to families that receive federal housing assistance. Assuming that future appropriations actions are consistent with the bill, CBO estimates that implementing H.R. 6361 would reduce discretionary spending for the affected programs by \$270 million over the 2013-2017 period. Enacting the bill would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

H.R. 6361 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 6361 is shown in the following table. The costs of this legislation fall within budget function 600 (income security).

	By Fiscal Year, in Millions of Dollars					2013- 2017
	2013	2014	2015	2016	2017	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Exclude Aid and Attendance Income						
Estimated Authorization Level	6	8	8	9	9	40
Estimated Outlays	3	7	8	9	9	36
Utility Allowances						
Estimated Authorization Level	-50	-68	-72	-75	-77	-342
Estimated Outlays	-27	-60	-70	-73	-76	-306
Total Changes						
Estimated Authorization Level	-44	-60	-64	-66	-68	-302
Estimated Outlays	-24	-53	-62	-64	-67	-270

BASIS OF ESTIMATE

CBO estimates that H.R. 6361 would increase authorized payments to certain veterans who receive federal housing assistance. The bill also would reduce authorized payments to certain families that receive assistance through the Housing Choice Voucher Program. On net, CBO estimates that implementing H.R. 6361 would reduce discretionary spending for those programs by \$270 million over the 2013-2017 period, assuming appropriations actions consistent with the bill.

For this estimate, CBO assumes that H.R. 6361 will be enacted by the end of calendar year 2012, and that spending will follow historical patterns. CBO also assumes that any changes would not affect the funding requirements for about 400,000 public housing or voucher units covered by Moving-to-Work agreements because those housing authorities are funded pursuant to their agreements.

Veterans Pension Income

Under current law, tenants who receive federal housing assistance generally pay 30 percent of their adjusted monthly income towards rent. Funding from the Department of Housing and Urban Development (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 housing authorities with operating and capital funding that allows them to subsidize rents.

H.R. 6361 would exclude federal pension payments of veterans who receive Aid and Attendance (A&A) from the calculations of adjusted income for veterans who receive federal housing assistance. Doing so would reduce affected veterans' rent contributions, thereby increasing the cost of HUD's housing assistance payments. Based on data from the Government Accountability Office, CBO estimates that about 6 percent of assisted households include a veteran. Based on information from the Department of Veterans Affairs, CBO estimates that less than 1 percent (about 1,700) of those households include a veteran receiving A&A and that those payments average about \$15,000 per year. Excluding those amounts from calculations of adjusted income would lower tenants' rent contributions by between \$6 million and \$9 million each year through 2017. Assuming appropriation of the necessary amounts, CBO estimates that implementing that provision would cost \$36 million over the 2013-2017 period.

Utility Allowances

H.R. 6361 also would limit the allowance for tenant-paid utilities for families assisted by the Housing Choice Voucher Program. Currently, tenants receive a utility allowance based on the size of the unit they rent, regardless of the number of bedrooms that are specified on the voucher. The number of bedrooms on the voucher is determined by local housing

authorities based on the size of the family and is used to calculate the amount of subsidy that the family receives. Some tenants choose to rent a unit with more bedrooms even though they only receive a subsidy for a smaller-sized unit. The bill would require HUD to base the utility allowance on the number of bedrooms on the voucher but would allow an exception for families that include a disabled person.

Based on data from HUD, CBO estimates that about 300,000 nondisabled families live in units with more bedrooms than on their vouchers. Reducing the allowance for tenant-paid utilities for these families would lower their average monthly subsidy by about \$20. Offsetting that reduction, the allowance for tenant-paid utilities would increase for approximately 60,000 tenants living in units with bedrooms less than the number of bedrooms listed on the voucher, increasing the average monthly subsidy for those units by about \$25. On net, CBO estimates that the proposed changes would increase tenants' rent contributions by between \$50 million and \$77 million per year through 2017, thereby lowering the cost of HUD's housing assistance payments. Assuming that appropriations are reduced accordingly, CBO estimates that implementing this provision would reduce discretionary spending by \$306 million over the 2013-2017 period.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 6361 contains no intergovernmental or private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY:

Federal Costs: Chad Chirico

Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum

Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Peter H. Fontaine

Assistant Director for Budget Analysis