105TH CONGRESS } HOUSE OF REPRESENTATIVES { REPT. 105–76
1st Session } { Part 2

HOUSING OPPORTUNITY AND RESPONSIBILITY ACT OF 1997

APRIL 29, 1997.—Ordered to be printed

Mr. LEACH, from the Committee on Banking and Financial Services, submitted the following

SUPPLEMENTAL REPORT

[To accompany H.R. 2]

[Including cost estimate of the Congressional Budget Office]

The Committee on Banking and Financial Services, to whom was referred the bill (H.R. 2) to repeal the United States Housing Act of 1937, deregulate the public housing program and the program for rental housing assistance for low-income families, and increase community control over such programs, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, April 29, 1997.

Hon. JAMES A. LEACH,
Chairman, Committee on Banking and Financial Services,
House of Representatives, Washington, DC.

DEAR. MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2, the Housing Opportunity and Responsibility Act of 1997.

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

Sincerely,

JUNE E. O'NEILL, *Director.*

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

H.R. 2—The Housing Opportunity and Responsibility Act of 1997

Summary: H.R. 2 would eliminate or significantly change the programs through which the bulk of federal low-income housing as-

40–236

sistance is currently provided. The United States Housing Act of 1937, which authorizes the public housing program and the section 8 rental assistance program, would be repealed. H.R. 2 would establish new public housing and rental assistance programs and would authorize appropriations to fund them.

H.R. 2 would authorize appropriations totaling $58 billion over the fiscal years 1998–2002. (Continuation of current programs, allowing for renewal of all existing section 8 contracts, would require funding of about $112 billion over the same period.) CBO estimates that enactment of this bill would not affect direct spending or receipts. Therefore, pay-as-you-go procedures would not apply.

H.R. 2 contains several intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates that the costs of these mandates would not be significant. The bill also contains other provisions that could have a significant budgetary impact on public housing agencies, but they would not be considered mandates as defined in UMRA.

Estimated cost to the Federal Government: The estimated budgetary impact of this bill is summarized in Table 1. The program authorizations in the bill increase gradually from $10.1 billion for 1998 to $12.9 billion for 2002. Total outlays for the affected programs would decline from $25.0 billion in 1997 to $17.6 billion in 2002, including the outlays in those years from sums appropriated in previous years. As a basis for comparison, the table also includes the spending totals under the CBO baseline with adjustments for inflation, which, pursuant to the Budget Enforcement Act of 1990, is constructed assuming that all expiring contracts under section 8 of the Housing Act of 1937 are renewed.

TABLE 1. ESTIMATED COST TO THE FEDERAL GOVERNMENT

[By fiscal year, in millions of dollars]

	1997	1998	1999	2000	2001	2002
Spending for housing assistance under current law:						
Budget authority	11,182	0	0	0	0	0
Estimated outlays	24,995	20,780	12,779	9,926	7,559	5,871
Proposed changes:						
Authorizations of appropriations	0	10,136	10,999	11,833	12,176	12,863
Estimated outlays	0	3,165	7,771	9,335	10,647	11,714
Spending for housing assistance under H.R. 2:						
Budget authority/authorizations	11,182	10,136	10,999	11,833	12,176	12,863
Estimated outlays	24,995	23,945	20,550	19,261	18,206	17,585
Memorandum—CBO baseline with inflation adjustments:						
Budget authority	11,182	18,139	20,362	22,697	24,576	26,359
Estimated outlays	24,995	25,655	25,986	26,297	26,577	27,169

Note.—This table does not include spending for HUD's administrative expenses.

The costs of this legislation fall within budget function 600 (income security).

Basis of estimate: CBO assumes that the bill would be enacted by October 1, 1997, and that the authorized amounts would be appropriated by the beginning of each fiscal year.

Title II—Public housing

Title II of the bill would revise the provisions of the federal public housing program. The existing program is administered by local public housing agencies (PHAs) that own and manage low-income housing projects. The activities of the PHAs are supervised closely by the Secretary of the U.S. Department of Housing and Urban Development (HUD). The Congress provides funds in two separate budget accounts: one to cover operating costs and another for new construction or project modernization.

Under the program established by the bill, PHAs would receive funding in the form of block grants and would be given greater flexibility in managing public housing. With certain constraints, a PHA could then choose to use the grant to cover operating expenses or capital needs. The bill would authorize the appropriation of $5.9 billion for each of the fiscal years 1998–2000—the same amount as appropriated in 1997—and $5.4 billion for each of fiscal years 2001 and 2002 for these block grants and for site revitalization grants (see Table 2). The estimated outlays are based on past spending patterns for operating expenses and the project modernization program.

Of the amounts appropriated for the title II programs, the Secretary would be allowed to retain up to 2 percent for a headquarters reserve fund. This fund would be used for needs resulting from natural disasters or other unforeseen events. Based on the Secretary's previous use of reserved funds, we assume that the Secretary would retain all the funds allowed and that they would be disbursed within two years. In addition, $15 million from the block grants could be used for the resident management assistance program in fiscal year 1998.

Title III—Choice-based rental housing

Title III would establish a new tenant-based low-income rental assistance program that would replace the one created by section 8 of the Housing Act of 1937. Under the current program, HUD enters into contracts with PHAs to provide assistance to qualified households. The new grants would be given directly to PHAs and would serve very similar purposes. PHAs would be given greater flexibility, but the program would still be geared toward low-income tenants. Rental assistance contracts would be limited to one year but could be renewed annually.

The bill would authorize appropriations for Title III of about $1.9 billion for each year of the 1998–2002 period, of which about $50 million would be specifically directed to serve nonelderly, disabled families. CBO estimates that the $1.9 billion authorized would renew 293,000 units, far short of the 1.29 million units coming up for renewal in 1998. Because housing costs continue to rise with inflation and some existing longer-term contracts expire each year, annual funding of $1.9 billion would result in a continuing decline in the number of assisted units. By 2002, the authorized funding level in the bill would support less than 20 percent of those tenant-based units currently under contract. The impact of this change on HUD's administrative expenses is discussed below.

Title IV—Home Rule flexible grant options

Title IV of the bill would create a Home Rule Flexible Grant Option whereby a jurisdiction could combine funding from various assistance programs in order to meet the housing needs of a community with more flexibility. A jurisdiction would have to submit to

HUD an application and a plan for using the funds. HUD would be responsible for reviewing, approving and overseeing the applications and plans. Section 407 of this title would require HUD to provide technical assistance to local jurisdictions, and to evaluate and report on successful models for using the flexible grant. Other than its effects on HUD's administrative costs, which are discussed below, Title IV would have no significant effect on the federal budget.

Title V—Accountability and oversight of public housing agencies

Subtitle B of Title V would create the Housing Foundation and Accreditation Board, an independent agency that would be modeled after private accreditation boards for education and health care organizations. However, the bill would not grant the board any authority. The board would be established and its responsibilities outlined; but the board's ability to act on such responsibilities would require a separate change in law. If the change in law were to later require the board to evaluate and accredit the approximately 3,400 PHAs at least once every five years, CBO expects the annual costs would likely run between $10 million and $20 million. Because such costs are contingent on future Congressional action, CBO estimates that the subtitle would have no significant budgetary effect. Title V would also authorize the appropriation of $500,000 for the study of performance measures for the evaluation of PHAs.

Title VI—Repeals and related amendments

Title VI would repeal the current housing programs. However, the title requires the project-based assistance under section 8 of the Housing Act of 1937 be continued as if the 1937 Act were not repealed. The estimated authorization for project-based contract renewals is $2.0 billion in 1998, rising to $5.3 billion in 2002.

Title VI also would revise part of the Anti-Drug Abuse Act of 1988 by allowing HUD to make grants for use in eliminating all types of crime, not just drug-related crimes. The bill would authorize appropriations for such grants of $290 million per year for the 1998–2002 period.

HUD's administrative costs

CBO estimates that enacting this bill would result in significant administrative savings in the long run, largely as a result of the reduction in scope of the section 8 program under Title III. If HUD's administrative requirements were to decline in proportion to the total number of assisted units—both project-based and tenant-based-then the savings would amount to between $90 million and $100 million per year by 2002. However, to the extent that administrative costs entail fixed overhead requirements, the savings would be less than the 40 percent reduction assumed in that estimate. Another unknown factor is the degree to which administrative costs are associated with the number of contracts rather than the number of assisted units. If the average number of units per contract were to decrease but the number of contracts were to remain stable, HUD's administrative burden would fall by a smaller percentage.

Certain provisions of Title IV would impose additional administrative responsibilities on HUD, namely reviewing the applications and plans of jurisdictions and providing technical assistance. In the near term, HUD might incur additional costs to implement the flexible grant program, though such costs could be offset by administrative savings under Title III. In the long run, CBO expects that an increasing number of jurisdictions would opt for the flexible grant program and, as a result, administrative costs for the grant program would decline over time. We expect that it would be less costly for HUD to administer a streamlined, flexible grant program than to oversee the various housing assistance programs that could be consolidated under the grant program.

TABLE 2. ESTIMATED AUTHORIZATIONS BY TITLE

[By fiscal year, in millions of dollars]

	1998	1999	2000	2001	2002
SPENDING SUBJECT TO APPROPRIATION					
Title II—Public housing spending:					
Capital fund:					
Authorization level	1,935	1,950	1,950	1,950	1,950
Estimated outlays	0	213	698	1,089	1,299
Operating fund:					
Authorization level	3,342	3,342	3,342	3,342	3,342
Estimated outlays	1,604	3,309	3,342	3,342	3,342
Site revitalization grants:					
Authorization level	500	500	500	0	0
Estimated outlays	0	10	46	150	265
Resident management assistance:					
Authorization level	15	0	0	0	0
Estimated outlays	1	2	11	2	0
Secretary reserve:					
Authorization level	108	108	108	108	108
Estimated outlays	54	108	108	108	108
Total—Title II:					
Authorization level	5,900	5,900	5,900	5,400	5,400
Estimated outlays	1,659	3,641	4,204	4,691	5,014
Title III—Choice-based housing assistance:					
Tenant-based assistance:					
Authorization level	1,862	1,862	1,862	1,862	1,862
Estimated outlays	745	1,862	1,862	1,862	1,862
Disabled families:					
Authorization level	50	51	53	54	56
Estimated outlays	20	51	52	53	55
Total—Title III:					
Authorization level	1,912	1,913	1,915	1,916	1,918
Estimated outlays	765	1,913	1,914	1,915	1,917
Title V—Accountability and oversight of public housing agencies:					
Public housing study:					
Authorization level	1	0	0	0	0
Estimated outlays	[1]	[1]	0	0	0
Title VI—Repeal and related amendments:					
Project-based assistance: [2]					
Estimated authorization level	2,033	2,896	3,728	4,570	5,255
Estimated outlays	722	2,169	2,966	3,751	4,493
Drug elimination grants:					
Authorization level	290	290	290	290	290
Estimated outlays	19	48	251	290	290
Total—Title VI:					
Estimated authorization level	2,323	3,186	4,018	4,860	5,545

TABLE 2. ESTIMATED AUTHORIZATIONS BY TITLE—Continued

[By fiscal year, in millions of dollars]

	1998	1999	2000	2001	2002
Estimated outlays	741	2,217	3,217	4,041	4,783
Total:					
Estimated authorization level	10,136	10,999	11,833	12,176	12,863
Estimated outlays	3,165	7,771	9,335	10,647	11,714

[1] Less than $500,000.

[2] Although Title VI repeals the Housing Act of 1937, this title also includes language that project-based assistance under section 8 of the 1937 Act would continue as under current law.

Pay-as-you-go considerations: None.

Estimated impact on State, local, and tribal governments: H.R. 2 contains several intergovernmental mandates as defined in UMRA. CBO estimates that the total cost of these mandates—primarily preemptions of state and local laws—would not be significant. The bill also contains a number of other provisions that are conditions of receiving federal financial assistance, and while these conditions are not mandates as defined in UMRA, their enactment would have a significant budgetary impact on public housing agencies (PHAs). CBO estimates that compliance with these new conditions would result in additional costs to PHAs totaling $65 million in the first year and about $35 million annually thereafter. These costs could be at least partially offset by increased rental income that would result from new flexibility given to PHAs. H.R. 2 would not impose mandates or have other budgetary impacts on tribal governments.

Mandates

A number of provisions in H.R. 2 would preempt state and local laws by: allowing HUD, or a receiver of a PHA, to be exempt from certain state and local laws; requiring a PHA board of directors to include an elected public housing resident; and allowing public housing residents who face eviction to review relevant records and documents notwithstanding state laws. Such preemptions are mandates under UMRA. CBO estimates that their enactment would not require state or local governments to expend additional funds and that any loss of fee or penalty revenue from these provisions would be small.

A bill also would require police departments and other law enforcement agencies to provide PHAs with information regarding the criminal conviction records of adult applicants for federally assisted housing and with information about crimes committed against children. In order to comply with this mandate, CBO assumes that PHAs would make as many as 100,000 new requests for such information. Based on data from a number of police departments, the cost of responding to such requests generally ranges from $10 to $20 each. Therefore, CBO estimates that the annual costs of this mandate would be less than $2 million. The bill would allow police departments to charge a reasonable fee for any information provided, and CBO assumes that affected agencies will charge such fees to cover additional costs.

Other impacts

The bill would impose several new requirements on PHAs. These requirements, which are conditions of receiving assistance from HUD and thus are not mandates under UMRA, include: establishing and enforcing work requirements and self-sufficiency agreements with residents of public housing; preparing more detailed local housing management plans; and submitting new (and potentially more burdensome) performance and evaluation reports. The bill also contains provisions that would provide PHAs additional administrative flexibility, including the authority to increase rental income over current levels.

PHAs would be required to enter lease agreements with adult residents of public housing. These agreements would require some adult residents to contribute not less than eight hours of community service work per month and to sign self-sufficiency agreements. PHAs would also be encouraged to enter cooperative agreements with state and local welfare agencies to provide information about assistance programs. Further, PHAs would be required to provide information to public housing residents about resources available to them in meeting their self-sufficiency requirements and to track participants' progress towards meeting their work requirements and self-sufficiency agreements.

This provision would apply to all public housing residents receiving assistance under the Public Housing and Choice-Based Rental Housing programs established in the bill with certain exceptions. Among those excluded from the work requirements and self-sufficiency agreements would be the elderly, disabled, and those complying with (or excluded from) work requirements under other public assistance programs. Based on information from HUD, CBO assumes that these new requirements would apply to less than one-third of the households in these programs (800,000 out of 2.7 million).

Information from public housing organizations indicates that PHAs, particularly small ones, would require additional staff to comply with this new requirement. (Many large PHAs already have similar programs.) In total, CBO estimates that in order to comply with this provision PHAs would have to hire more than 1,100 new personnel and that additional costs would total about $35 million per year (assuming salary and benefits of $30,000 per full-time staff member).

H.R. 2 would also require each PHA to submit a local housing management plan to HUD. PHAs currently provide much of the information that would be required by HUD in one form or another. PHAs would be required to submit some new information and to aggregate existing information from various reports into a new document (possibly in a new format). CBO expects that most PHAs would comply with the requirement by hiring consultants or additional staff with costs varying between $5,000 and $10,000 per agency. Smaller housing agencies would likely incur costs at the higher end of the range because of limited staff resources. Approximately two-thirds of the nation's 3,400 PHAs fall into this group. CBO estimates total compliance costs to be approximately $30 million in the first year. A portion of these costs could continue into future years if PHAs hire permanent staff to meet these requirements.

The bill would also require PHAs to submit an annual performance and evaluation report to HUD concerning the use of funds made available under this act. The potential cost of this new requirement would depend on the type of information that HUD requests from PHAs and how it compares to the current evaluation system. If the new requirements are similar to current requirements, PHAs would not have to incur additional costs. CBO does not have any information about how HUD would implement this requirement.

The bill also would encourage state and local governments to play a greater role in providing public housing. Title IV would allow local government to apply to HUD to obtain the authority to administer federal housing assistance. Section 201(b) would allow a governor to request that HUD make available to the state 50 percent of capital improvement allocations that have been provided to PHAs that own or operate fewer than 100 dwelling units. The affect of these provisions would be to transfer administration of public housing from PHAs to the state or local government. Discussions with state and local government organizations lead CBO to believe that only a small number of state and local governments would avail themselves of these options.

Finally, the bill would allow HUD to reduce Community Development Block Grant (CDBG) funding for some local governments if the agency determines that these governments have contributed to the conditions resulting in the designation of a PHA as troubled. Discussions with HUD indicate that such penalties would rarely be imposed on local governments.

Other provisions in H.R. 2 would provide PHAs with additional flexibility in administering their programs. One of these provisions would address the income mix of public housing residents and would allow PHAs to increase their rental income by selecting tenants for admission with slightly higher income levels than are allowed under current law. Information available to CBO from public housing organizations indicates that increases in rental income to PHAs would be modest, at least in the short term.

Estimated impact on the private sector: The bill would impose no new private sector mandates as defined in UMRA.

Estimate prepared by: Federal costs; Paul Cullinan, Susanne Mehlman, Lisa Daley, and John Righter; Impact on State, local, and tribal governments, Marc Nicole; Impact on the private sector, Bruce Vavrichek.

Estimate approved by: Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.

○