Center for Community Change

SAVE THE BROOKE AMENDMENT: Keep the Cap on Tenant Rents

April 15, 1996

Dear Mr. President:

There is legislation currently moving through Congress that would allow housing authorities to raise rents in public and assisted housing--*to any level they choose.* If this legislation passes, it is likely that thousands of public housing residents will be forced out of their homes and onto the streets.

H.R. 2406, sponsored by Representative Lazio, would repeal the Brooke Amendment, which caps public housing rents at 30% of a family's income. The Lazio bill is expected to be taken up by the full House in early May.

S. 1260, sponsored by Senator Mack, would repeal the Brooke Amendment for all families earning more than 50% of the Area Median Income (AMI). The Mack bill was passed by the full Senate in January.

We have attached a letter from over 500 organizations around the country that oppose repeal of the Brooke Amendment. These groups believe that it is bad policy to try to balance the federal budget on the backs of those least able to pay. Rather, the solution is adequate operating funds, and flexible rent guidelines that support working families--not elimination of the 30% cap.

According to HUD Secretary Cisneros, recently implemented $25 minimum monthly rents in public and assisted housing are already creating hardships for 175,000 households around the country. Repeal of the 30% cap will harm thousands more federally-assisted residents--whose average income is only $7,800 a year. Such a policy would only exacerbate an already acute affordable housing crisis.

We urge you to veto any legislation that would weaken or repeal the Brooke Amendment.

Sincerely,

Deepak Bhargava
Director of Public Policy
Center for Community Change

National Low Income Housing Coalition
National Housing Law Project
ACORN

1000 Wisconsin Avenue, NW, Washington, D.C. 20007 202-342-0519 FAX: 202-342-1132

SIGN-ON LETTER TO SAVE THE BROOKE AMENDMENT AND KEEP THE CAP ON PUBLIC HOUSING RENTS

Dear President Clinton:

The undersigned organizations oppose legislative provisions in S. 1260 and H.R. 2406 that either partly or completely repeal the Brooke Amendment in public housing, and for certificates and vouchers. The Brooke Amendment, enacted in 1969 and amended in 1981, ensures that rents do not exceed 30% of tenants' incomes. At a time when the shortage of affordable housing is acute, the Brooke Amendment guarantees the affordability of public housing and tenant-based rental assistance for residents.

The Brooke Amendment is sound public policy. Reasonable rent guidelines are needed to make sure that public housing and tenant-based assistance continue to be effective sources of affordable housing for low-income residents. Working families need not be penalized under the Brooke Amendment. Ceiling rents and income disregards can serve to protect the rising wages of public housing residents. In fact, under current law, residents cannot be charged more than 30% of income, but many are no longer required to pay *at least* 30% of income for rent.

In the belt-tightening context of the federal budget, housing authorities are seeking revenue sources to make up for potential cuts to operating funds. The authorizing bill in the House (H.R. 2406) would repeal Brooke and give housing authorities the freedom to set rents at whatever level they determine is appropriate. The Senate authorizing bill (S. 1260) would do the same, except tenants with less than half of median income would be exempt. These bills promote bad policy by allowing housing authorities to try to balance budgets on the backs of tenants--whose median income is only $6,420. Rather than bring in substantial revenues, such a policy would likely lead to displacement and increased homelessness. The solution is to ensure that operating subsidies are adequate, that costs are contained, and that higher income tenants are not driven out of the programs.

The low incomes of public housing residents are not a result of the Brooke Amendment, but of decades-long urban policies that led to the concentration of poverty. Increasing rents will not advance the stated goal of the government to lift tenants out of poverty; in fact, it may have the opposite effect. It will drive many families deeper into poverty. Housing authorities can achieve the flexibility to support working families without repealing the 30% cap on rents.

The Brooke Amendment guarantees that public housing will continue to provide a desperately needed source of affordable housing for low income families. We urge you to oppose provisions within S. 1260 and H.R. 2406 that weaken or repeal the Brooke Amendment.

Sincerely,

[See the attached list of 523 organizations]

VOLUME 249 • NUMBER 121
72 pages
50 cents

The Boston Globe

BALM BEFORE STORM
Today: Sun, rain later, 70
Tomorrow: Partly sunny, 60-65
High tide: 9:21 a.m., 10:03 p.m.
Full report: Page 32

TUESDAY, APRIL 30, 1996

GOP seeks to repeal public housing bill

Shift from income-based to market rents sought

By Michael Grunwald
GLOBE STAFF

Republicans in Congress are trying to scrap the 27-year-old law that sets rents in public housing, shattering a bipartisan consensus that had begun to change the direction of US housing policy.

As of now, all 1.3 million residents of public housing pay 30 percent of their incomes in rent. The GOP move to repeal the 1969 "Brooke Amendment" – written by former Sen. Edward Brooke, Republican of Massachusetts – would deregulate public housing, letting local housing authorities charge whatever rents they want.

In a rare public appearance, Brooke, 76, plans a press conference today in Washington to urge his party to save the landmark law. He will be joined by Reps. Peter I. Blute of Shrewsbury and Peter G. Torkildsen of Danvers, who will warn their GOP colleagues that repealing the amendment would punish low-income tenants and increase homelessness.

The Clinton administration and congressional Democrats are also portraying the repeal effort as an attack on the poor, in stark contrast to their relative silence accompanying other recent GOP housing initiatives. With little opposition or even discussion, Congress has set a $25 minimum rent in public housing, eliminated preferences for homeless families and other needy applicants, and revamped a controversial housing program for 350,000 families.

■ **Denying any GOP funk, Sen. Bob Dole plunged ahead with an assault on Clinton. Page 12.**

"The Brooke Amendment represents a vital piece of history for families and elders in public housing," Brooke said in a statement. "My hope is that my Republican contemporaries will see that a 30-percent cap is reasonable and fair in order to keep public housing affordable for poor people."

A House committee has voted to repeal Brooke outright; the full House will take up that bill soon. The Senate has passed a less drastic bill preserving Brooke for residents who earn less than half the median income in their area. A compromise bill is expected to reach President Clinton's desk this year.

House Republican leaders say repealing Brooke would attract working families to housing projects, exchange federal mandates for local control, and boost revenues at cash-strapped housing agencies.

Rep. Rick Lazio, Republican of New York, chairman of the House housing subcommittee, said the amendment does not just cap rents – it sets them. And it ensures that those rents rise when residents get jobs, encouraging tenants to stay on welfare and under-report income. It is no coincidence, Lazio said, that the average income for a family in public housing is about $7,800 a year.

"The Brooke Amendment punishes people who want to work. That's just perverse. That's why some of these developments have so many unemployed residents," he said.

'My hope is that my Republican contemporaries will see that a 30-percent cap is reasonable ... to keep public housing affordable ...'

EDWARD BROOKE, (left)
Former Massachusetts senator

Lazio also argued that local officials will do better at structuring rents than the federal government. In an era of declining federal aid, he said, the flexibility to raise rents and attract higher-income tenants may save housing agencies from fiscal disaster. Similar rationales were given for the other recent GOP housing reforms.

But Democrats say the repeal of Brooke goes too far, and are portraying the move as an effort to balance the budget by taxing the poor. They agree that a broader income mix would promote stability in public housing, but they argue that complete deregulation will lead to rent hikes and gentrification.

The argument against scrapping Brooke goes like this: Housing authorities have two sources of income, federal subsidies and tenant rents. Congress has begun to slash subsidies. So repeal would force them to compensate by seeking better-off tenants and charging higher rents. Once they start serving fewer poor people, Congress will have an excuse to slash subsidies even more.

"This could make public housing almost indistinguishable from private rental housing," said Rep. Joseph P. Kennedy 2d, a Brighton Democrat. "It would completely undermine the national commitment to the poor."

No one seems to object to mixed-income developments as a goal. Congress, in fact, passed laws earlier this year allowing housing authorities to give preference to working applicants and set ceiling rents for working residents.

But it is unclear what would happen to the poorest residents. Kennedy amended the House bill to reserve a fourth of all apartments for families below 30 percent of the median income; the Senate bill would reserve two-fifths. But right now, more than three-fourths of all residents are in that category.

HUD

HR 2406 unnecessarily removes 25-year old affordable rent protections

What HR 2406 Does:

1) Eliminates the Brooke amendment -- which ensures that no public housing resident or Section 8 assisted household pays more than 30 percent of their income toward rent.
2) Allows Public Housing Agencies to charge for rent any amount they want.

Why HR 2406 Rent Provisions go too far:

The Brooke amendment constitutes a 25-year bipartisan commitment to making sure that federal housing programs benefit low- and very-low income families fairly.

That means that every tenant pays a percentage of their income -- 30 percent -- toward rent, rather than a fixed dollar amount or a higher percentage.

The repeal of the Brooke amendment is not needed to encourage work or make sure that working families stay in public housing:

The Balanced Budget Downpayment Act, I, enacted on January 26, 1996, addressed the only 2 shortcomings of Brooke by:

1) allowing earned income adjustments (when calculating rent charges) to encourage work -- so that every new dollar of income is NOT taxed as rent; and
2) allowing ceiling rents which price units competitively with the market, so that higher income and working residents will be attracted to and stay in occupancy.

The number of families with worst-case housing needs is rising to the highest level ever -- 5.3 million. There is no reason to balance the federal budget on the backs of the poorest and most vulnerable citizens.

Rents set at $50 would cause 340,000 families, including elderly and disabled families, to pay, on average, an additional $315/year for rent. No $315 middle class tax increase would ever be tolerated.

Rent flexibility will perpetuate inadequate appropriations -- since it will make possible the ability to cover operating shortfalls by raising rents on the poorest families.

Unfettered discretion in setting federal objectives is inappropriate for a program which has 3,400 separate entities.

Public housing is not like welfare -- it is administered by 3,400 separate public housing authorities who are not accountable to local government.

There will be enormous disparity in rents within PHAs and also amongst localities. Residents in neighboring developments could be treated completely inequitably and arbitrarily.

Rent flexibility will just segregate projects

Flat rent schemes proposed by some PHAs are intended to segregate better housing for people that can afford them. That means income segregation in those units that can be marketed to higher income families. Are we prepared to spend $9 billion in federal public housing assistance to segregate buildings based on families' wealth?

HR 2406 Would Institute Harsh Minimum Rents

What 2406 Does:

1) Requires a minimum rent of at least $25 month. (Current law, since January 26, 1996) requires minimum rents of $25 and allows minimum rents of up to $50).

2) Allows minimum rents of any amount over $25.

Why 2406 is Harmful:

Minimum rents constitute a back-door repeal of the Brooke amendment.

The Brooke amendment ensures that families pay no more than 30 percent of their income toward rent. By definition, minimum rents become applicable only when the Brooke rent is lower than the minimum. They repeal Brooke.

Minimum rents would cause serious hardhship for large numbers of people.

Minimum rents would be particularly difficult for:
1) families, elderly, and disabled households awaiting determination of eligibility for public benefits,
2) homeless families assisted with special rent assistance, but who have no income,
3) individuals in states that do not provide general welfare,
4) individuals who lose jobs and have little or no income nor unemployment benefits,
5) large families receiving AFDC in low benefit states.

While the minimum rent requirement seems small, its effect would be devasting to the poorest and most vulnerable households.

A minimum rent of $25 would effect 135,000 households.

A minimuim rent of $50 would affect 605,000 families, elderly, and disabled households by approximatley $530/year.

Minimum rents would require rent increases of over 100 percent, and would eat up all of the disposable income these families have.

Minimum rents would affect states disproportionately.

???

Rents for Public Housing and Tenant-based Assistance
DRAFT, April 30, 1996

H.R. 2406 would repeal the Brooke Amendment, leaving hundreds of thousands of public housing families vulnerable to the rent setting policies of PHAs squeezed by financial pressures. The burden would fall most heavily on the neediest households, those least able to afford rent increases and least able to find affordable private market housing if pushed out of public housing.

Similarly, PHAs would be permitted to set the family's share of the rent for tenant-based assistance in a way that penalizes the most vulnerable families and destroys that program's record of helping families with children in poverty expand their opportunities.

Brooke Rents Even Out the Rent Burden for Different Families

Generally, households assisted by HUD pay 30 percent of adjusted household income. There are adjustments to income for dependents, for elderly or disabled status, for child care that enables a family member to work, and for medical expenses for the elderly and disabled. Families that benefit from these deductions sometimes pay a statutory minimum rent of 10 percent of gross income. In a few states, welfare families pay the maximum amount designated for housing by the state's AFDC program.

Federal housing law has long permitted two major exceptions to Brooke Rents.

- For public housing, "ceiling rents" are permitted, so as not to push working families out when the Brooke rent was more than their dwelling unit would fetch in the marketplace. The 1996 Appropriations Act gives PHAs new authority to set more realistic ceiling rents and takes those ceiling rents into account in the way the Federal government funds the public housing program.

- In the tenant-based voucher program, a family can choose to pay more than Brooke Rent if it rents a unit that costs more than the Payment Standard used to determine the program's subsidy level. Similarly, a family that rents a unit that is cheaper than the Payment Standard gets to keep the savings and pay less than Brooke rent.

H.R. 2406 Would Leave Rent Setting Completely to the Housing Authority

In public housing, the Committee bill would permit a public housing authority to specify any rent "appropriate with respect to the family and the unit." The PHA can take into account such factors as adjusted income, type and size of the unit, operating expenses, "or any other factors that the authority considers appropriate."

Similarly for the merged tenant-based program, the Committee bill sets the subsidy paid to a landlord on behalf of the family at the Payment Standard minus any tenant contribution the PHA chooses.

In both programs, the only national standard is that the PHA is required to charge every household at least $25.

PHAs could set rents in many different ways: they could establish the same rent for any household living in a particular size unit in a particular project ("flat rents"); they could raise percentage-of-income rents to 32 percent of income, 40 percent of income, or any other level; they could establish minimum rents that were different for different types of households; they could create whatever deductions from income they chose.

Repeal of Brooke rents Is Not Necessary to Reward Work and Create Mixed Income Public Housing

Only two arguments against the Brooke standard have ever been compelling: (1) that Brooke rents push working families out of public housing projects, and (2) that Brooke rents discourage work effort. Both problems have been effectively addressed by the changes adopted in the January Continuing Resolution and by the 1996 Appropriations Act enacted in April.

Effective Ceiling Rents Are Now Permitted. Brooke rents have tended to make moderate-income working households move out of public housing projects, because, when their incomes rose, their rents became higher than the value of their units in the unassisted market. This has led to economic segregation of the projects, as the remaining families are extremely low income, and has contributed to making some public housing projects islands of misery.

However, the Congress has just adopted an effective ceiling rent rule which should essentially end this problem. PHAs can now set market-based rents, and families whose Brooke rents exceed the market value of the unit will no longer have to pay more than the new ceiling.

The problem of working families moving out was only relevant in public housing, not tenant-based assistance, and is therefore no basis for the repeal of Brooke rents in tenant-based programs. Unlike PHAs, private landlords have never been bound by law to charge more than the market rent to desirable tenants.

Work Incentives Are Now Permitted for Public Housing. There is widespread agreement 30 percent of income rents can act as a work disincentive. When the rent goes up 30 cents for every dollar of additional earnings, many tenants are likely to be discouraged from increasing their hours or from continuing to work when they run into difficulties.

The January Continuing Resolution permits PHAs to adopt disregards to earned income for public housing tenants, so long as their Federal operating subsidies would not rise as a result. Furthermore, the April Appropriations Act authorizes a Public Housing/Section 8 Moving to Work demonstration in up to 30 PHAs, in which the PHAs could test a "reasonable rent policy, which shall be designed to encourage employment and self-sufficiency by participating families ... such as by excluding some or all of a family's earned income for purposes of determining rent." The Act also mandated a thorough and objective evaluation of the consequences.

HUD is considering ways to give PHAs an incentive to use their new authority to create earnings disregards, for example by making it possible for them to regain over time the front-end losses of rental income that would result from these new deductions.

H.R. 2460 Permits Any Level of Minimum Rent the PHA Chooses

The January 1996 Continuing Resolution requires a rent in both public housing and the Section 8 programs of at least $25 per month, regardless of income, and permits a minimum rent of up to $50. The April 1996 Appropriations Act gives HUD the ability to waive the minimum rent requirement for any particular family for up to three months.

H.R. 2460 requires a minimum rent of not less than $25 per month *or any other amount the PHA decides to impose*. The only restriction is that the minimum rent could not be raised more than 10 percent per year.

Even $25 is Rough for Some Families. A $25 minimum rent would affect only the 4 percent of families with the lowest incomes, or those with no incomes at all, but it would hit them hard. Many are presently surviving on some combination of non-cash benefits like food stamps and rent subsidy. In states like Illinois and Michigan, which have no General Assistance program, persons whose impairments are not serious enough to qualify for

Supplemental Security Income, but who are not attractive as employees, would have to come up with $25 a month when they have no cash income.

Fixed-dollar minimum rents have enormously varied geographic impacts, because economic conditions (unemployment rate, wage rates) vary by region and social policies (welfare benefit levels, presence or absence of General Assistance program) vary by state. Approximately 135,000 families would be affected by a $25 minimum rent. Of these, 30,000 live in Puerto Rico, 12,000 in Texas, 9,000 in Alabama, and 5,000 each in Georgia and Mississippi. By contrast, only about 2000 families in California and about 1500 families in New York would face higher rents.

About two-thirds of those affected would be families with children, most of them living in states with low welfare benefits. In Mississippi, the state with the lowest benefit schedule, a 3-person AFDC household receives a maximum benefit of $120 per month. Current HUD rent for this household would be $12 per month; thus the Committee bill would raise the family's rent burden from $12 to $25 or more, depending on the action taken by the local PHA. If the housing authority adopted the lowest possible minimum of $25, the family's contribution to rent would rise from 30 percent of adjusted income to 63 percent.

Minimum Rents Higher than $25 Would Cause Serious Hardship for a Large Number of Families.

If every PHA in America implemented a *$50 minimum rent* 340,000 families would be affected, and they would pay on average another $315 per year in rent.

Fifty-five percent of those with higher rents would be poor families with children, whose interests have also not been very well served by this Congress in other respects. Those feeling the hardest hit would be families in the states that pay little in welfare benefits: Alabama, Arizona, Mississippi, South Carolina, Tennessee, and Texas. A 3-person welfare household in Texas, which is not allowed to receive more than $188 in cash income a month, would find that the rent rose from $32 a month (30 percent of adjusted income) to $50 per month (46 percent of adjusted income). The burden would also be severe in Puerto Rico and the Virgin Islands.

If every PHA in America implemented a *$100 minimum rent* -- as they would be allowed to do under HR 2406 -- 605,000 families would be hurt, and their hurt would be to the tune of $530 a year. PHAs would not enact such an extreme measure, of course, unless they had to. In the next round of spending cuts, the House would cut the budget and make the PHAs take the blame for raising the rents.

Almost 80 percent of the families affected would be families with children, and this is easily understood when you know that in 26 states, Guam, Puerto Rico, and the Virgin Islands, AFDC benefits are too low to warrant these families paying $100 a month now. In the Commonwealth of Virginia, for example, a 3-person AFDC household receiving the maximum benefit of $354 would presently owe a HUD rent of $82. Raise the rent to $100 and that family will have $216 less per year to spend on food, clothing, and other necessities.

But not only the children would be hurt. 39,000 elderly families, and 15,000 disabled families as well, will face rent increases on the order of $35 to $45 a month.

Rent Flexibility Is No Budget Panacea

The Committee majority appears to believe that rent subsidies to very low income people can be shrunk or eliminated, with no harm to society, merely by allowing rent flexibility. With no national rent standard, and PHAs charging whatever they want to for rent, the Congress can readily appropriate whatever it wants to for public housing operating subsidies and for budget authority for the tenant-based programs.

The combination of continued reductions in operating subsidies and unlimited PHA discretion to raise rents will have two devastating consequences for public housing.

- First, in the less marketable projects, where higher rents cannot be obtained, these spending cuts will wreck the many projects that are or can be viable communities. 95 percent of all public housing projects are or can be viable, if appropriately funded.

- Second, in all projects, marketable and otherwise, the Committee majority will force PHAs to charge the highest rents that they can, whether their tenants can pay them or not. In the better public housing projects, this will mean than poor families with the children who most need to have stable role models and good schools will be forced out. These projects will become middle income, not mixed income communities.

The Committee bill would have equally serious consequences in the tenant-based programs. The Committee appears to intent to block-grant certificates, and it is only reasonable to assume that the intention is to block and cut. After local flexibility is granted, the value of a unit of rental assistance is no longer defined by Federal statute, and Congress may make the average certificate worth whatever it pleases, at the expense of the most vulnerable members of society, particularly poor children.

National Standards Are Needed for Program Integrity

Over 90 percent of public and assisted housing tenants are now required to pay 30 percent of adjusted income for rent. The elimination of a national standard would result in a proliferation of PHA policies that HUD would not be able to effectively monitor. HUD would not be able to determine whether the rent charged to a household was the rent that the authority's own board policy required, much less whether that rent was consistent with national housing policy.

Correct determination of benefit levels is important to for all income-tested programs, not just for cost savings but also for fairness to different families and the integrity of programs that spend taxpayers' money.

Public housing and the tenant-based housing assistance programs are administered by 3000 separate PHAs. This makes them very different from, for example, AFDC, which is administered by 50 states. It is possible to run program quality control systems that preserve the integrity of Federal expenditures in 50 differently designed programs. It is not possible for 3000 programs.

Congress Has an Obligation to Maintain Protections for the Most Vulnerable

The Committee bill would give to appointed PHA boards and their staffs excessive discretionary power over the expenditure of Federal funds on behalf of low income households. HUD would have very limited ability to intervene to protect vulnerable households against arbitrary treatment outside of extreme cases.

The Committee bill would give these appointed officials, who usually are not under the direct control of the local elected chief executive, the power to distribute Federal housing assistance funds more or less to whom they pleased, and in the amounts they pleased. There would be no effective Federal oversight until well after the fact. The untrammeled discretion authorized by the Committee bill would be likely to result in years of unnecessary litigation, and would induce some local officials into arbitrary and perhaps discriminatory patterns of conduct.

HUD Should Have the Ability to Exempt Certain Types of Families from Minimum Rents

The $25 minimum rent in the Committee bill would apply to every family. Congress should be aware of the consequences. For example, strict enforcement of the $25 minimum would probably lead to high rates of eviction in Section 8 Single Room Occupancy projects for the homeless, where the whole purpose of the program is as a transition from homelessness.

As noted above, the April 1996 Appropriations Act gave HUD the authority to waive the minimum rent requirement for up to three months for a given family. The Committee bill would supersede that authority, and HUD would have no power to grant waivers for families in emergencies and temporary hardship. We often hear about a harsh and unfeeling bureaucracy unwilling to respond to human need; in this case the bureaucracy would be rendered impotent by an inflexible law. The House should not create another horror story; it should allow HUD to make exceptions.

Additional Work Incentives Must Be Carefully Thought Out and Tested

Changes to the present rent rules, such as deducting part of a family's earned income before applying Brooke Rent, could encourage work. However, such deductions can be extremely costly, either to the U.S. Treasury or, if the amount of assistance is fixed by appropriations, in reductions in the number of families served by public and assisted housing. For this reason, disregards for earnings in the 1990 and 1992 housing authorization acts were adopted "subject to appropriation" and were never implemented because of the implications for program costs.

As noted above, the January Continuing Resolution permits PHAs to implement earnings deductions for public housing, but only if this does not result in an increase in Federal appropriations of operating subsidy.

Because of the potential budget consequences and the lack of empirical evidence on the effectiveness of earnings disregards of different sizes and types, alternatives to current rent rules should be carefully thought out, tested and evaluated. HUD has proposed two promising initiatives that could serve as the basis for future reforms.

The Jobs-Plus experiment in public housing, enacted in the 1996 Appropriations Act, will attempt to transform the culture of big-city public housing with simultaneous action on three fronts: 1) locally determined rent rules; 2) state-of-the-art employment and training services; 3) innovations in resident involvement, management, and ownership.

HUD also proposes, for 1997, a Welfare-to-Work certificate demonstration, which would allocate certificates to collaborative partnerships among welfare agencies, PHAs, and employment agencies. This demonstration would test at least two models for moving employable certificate households into the job market: (1) the social-contract model, under which the family is responsible for performance of specific individualized tasks in return for welfare benefits and housing subsidy; and (2) a time-limited subsidy plan in which assistance is understood to be temporary, phases down gradually without respect to income, and presents no work disincentive.

These experiments could provide the Congress with information useful in assessing the continued validity of Brooke rents by comparison with feasible alternative rent rules.

AARP

Bringing lifetimes of experience and leadership to serve all generations.

November 1, 1995

The Honorable Maurice D. Hinchey
Room 1524, Longworth House Office Building
Washington, DC 20515

Dear Representative Hinchey:

I am writing to express the support of the American Association of Retired Persons (AARP) for your amendment to H.R. 2406 which would restore rent caps for older persons and persons with disabilities living in public and assisted housing.

AARP generally supports enhancing local housing authority discretion and broadening the income mix of tenants housed in public and assisted housing. Allowing more mixed income housing should improve the quality of service in housing communities and the responsiveness of housing providers to their tenants. AARP believes, however, that H.R. 2406 goes too far in removing all income targeting and all limitations on the percentage of income that tenants must spend on rent.

The Association strongly supports your amendment to restore caps on the amount of income paid by the poorest and most vulnerable tenants of public and assisted housing. We understand the necessity of generating sufficient income to maintain the housing stock in the face of diminishing federal resources. However, eliminating the preference rules and broadening the income targeting will provide increased revenues over time that should help bridge that gap. Beyond these changes, the federal government should stand by its responsibility to help the poorest tenants by providing adequate operating subsidies. These same tenants will be facing cuts in assistance from food stamps, Medicaid, and other essential services. To add major rent increases on top of these other cuts will cause more problems than they will solve for local housing authorities.

AARP appreciates your leadership in offering this amendment. We hope that further compromise may be possible as the legislation progresses toward enactment to assure the future financial stability of public and assisted housing while continuing the core mission of serving the nation's poorest and most vulnerable citizens. If we can be of any assistance on these or other issues, please do not hesitate to have your staff contact Don Redfoot of our Federal Affairs staff at 434-3800.

Sincerely,

Martin Corry

Martin Corry
Director, Federal Affairs

American Association of Retired Persons 601 E Street, N.W., Washington, D.C. 20049 (202) 434-2277
Horace B. Deets Executive Director

Questions and Answers:

Will Congress Keep Rents Affordable to Low-Income Residents of Assisted Housing?
or
Will Congress Raise their Rents?

How Does the Federal Government Keep Rents in Assisted Housing Affordable for Low-Income Americans?

- In 1969, Congress passed the Brooke Amendment to keep rents affordable for low-income residents of public and assisted housing. Back then, the Brooke Amendment protected low-income residents by capping their rent at 25% of their adjusted income. This cap allowed low-income families to pay their rent and still have some income to spend on other necessities, such as food, clothing, health care, and other basic expenses. In 1981, Congress raised this cap to 30% of adjusted income.

What is Congress Proposing?

- Congress plans to eliminate the Brooke Amendment and let Public Housing Authorities (PHA's) raise rents to any level they want. Last year, on November 9, the House Banking Committee passed legislation, H.R. 2406, to completely eliminate the 30% rent cap. Before passing this legislation, the Committee rejected a Democratic proposal to keep the caps on elderly and disabled people and protect them from rent increases. The House GOP leadership plans to bring this bill up for a floor vote in April or the first week in May. The Senate has already passed similar legislation, S.1260. This Senate version exempts families earning less than 50% of the median income in their area.

Who Would be Hurt?

- More than 1.3 million American families and individuals live in public housing. Their average income is $7,800. Another 1.4 million more American households live in tenant based private assisted housing. Their average income is slightly above $8,000. Congress' proposal to throw away the caps on rents threatens all of these families. Many of these families may become homeless.

Why Does Congress want to Repeal the Brooke Amendment and Raise Rents on Low-Income Families?

- Congress says it wants to raise rents because PHA's lack funding for operating expenses and depend too heavily on federal subsidies. However, in the last 2 years, Congress has cut the budget to modernize and operate public housing. These cuts have contributed to budget problems at PHA's. Once Congress grants PHA's the right to increase rents and use this rental income to offset budget cuts, Congress will have the perfect excuse to continue its budget cuts. This cycle will force PHA's to increase rents further.

Is the Brooke Amendment a Disincentive to Work?

- Some Members of Congress want to change the Brooke Amendment because they mistakenly think that Brooke is a disincentive to work because it penalizes tenants by taxing 30% of their new income. However, Brooke is not the cause of this disincentive. This disincentive comes from a different amendment, also passed in 1981, which requires all tenants to pay 30% of their income for rent. The Brooke Amendment is different and simply sets a 30% cap on a tenant's total rent contribution. Under the Brooke Amendment, PHA's can set rents at any level they want, but no higher than 30% of tenant income.

- If Congress wants to eliminate existing work disincentives and let PHA's flexibly encourage work, Congress does not need to eliminate the Brooke Amendment. For example, Congress has already given PHA's more authority to use ceiling rents for higher income tenants, to postpone rent increases for tenants who get new jobs, and grant deductions for earned income.

- The House of Representatives may offer the best evidence that the Brooke Amendment is not the problem. The House of Representatives' own report (104-461) that summarizes the House's bill, H.R. 2406, states on page 77, "By itself, this amendment (the Brooke Amendment) was not damaging."

What is The Clinton Administration's Position on this Issue?

- HUD Secretary Henry Cisneros laments, "Congress....is going in the wrong direction and hurting the most vulnerable."

What Can You Do?

- You can contact your Members of Congress (Call the Congressional Operator @ 202/224-3121) and urge them to "Keep the Caps" on tenant rents. Take a serious look at the imbalance of America's Upside Down Housing System.

- Contact the Statewide or Local Housing Coalition in your area. For more information, please contact the National Low Income Housing Coalition at 202-662-1530, ext.246.

National Housing Law Project

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THE BROOKE AMENDMENT SHOULD NOT BE REPEALED

Congress is now considering repeal of the Brooke amendment. That amendment, enacted in 1969, and revised and refined numerous times since them, is the keystone that holds the federal housing assistance programs together, as far as people with the lowest incomes are concerned. It guarantees that poor people do not pay more for public and other assisted housing than they can afford. Without it, the federal housing assistance programs would loose all relevance for the poorest people in this country, because the rents in assisted housing would rise catastrophically above their means.

The history of the Brooke Amendment, which is summarized below, demonstrates why it is so vital and why it must not be repealed. We should learn from that history, not blindly repeat the mistakes of the past.

In 1969, the National Association of Housing and Redevelopment Officials, in its testimony before the Senate Subcommittee on Housing and Urban Affairs, brought to Congress' attention the fact that public housing could no longer continue to serve the lowest income families because of rapidly rising costs. To support that proposition, NAHRO attached to its prepared statement an article written by Albert A. Walsh, Chairman of the New York City Housing Authority. In that article, Mr. Walsh reflected on the fiscal crisis faced by his authority and many others like it. He made the point that public housing, in 1969, faced two choices. It could continue forward with its existing structure of limited federal subsidies and ever escalating rents to cover increased operating costs. Or it could switch to a revised federal subsidy system that would keep the rents affordable and fill the gap with adequate federal operating subsidies.

Mr. Walsh advocated the latter choice, for the following reasons:

> If we choose to maintain the status quo, which I might characterize as selecting the fork in the road that leads to the right, I think that we will find that we have embarked on a disastrous detour that leads only to the total failure of the public housing program and eventual abandonment of the goals it has served so well over the past 30 years. Based on our experience in New York City, public housing dwelling units will soon be priced out of the low-income market and a social crisis of major proportions will develop as low-income tenants face the difficult choice of paying a catastrophic proportion of their income for rent -- or returning to the slums.[1]

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[1]Walsh, Is Public Housing Headed For A Fiscal Crisis, 2 Journal of Housing (Feb. 1969), reprinted in Hearings Before the Subcommittee on Housing and Urban Affairs of the Senate Committee on Banking and Currency, 91st Cong., 1st Sess., p. 202 (July 15, 17, 18, 21, 22 and 25, 1969).

We face that same choice today. We can withhold adequate operating subsidies from PHAs and allow them to raise rents to cover the gap between the level of federal funding and the costs of operations. If we choose that option, now as in 1969, we will be embarking upon a disastrous detour that leads only to the total failure of the public housing program. Now, as then, we will face a social crisis of major proportions as the lowest income tenants will be priced out of public housing by rents that consume catastrophic portions of their incomes. Unlike 1969, however, they will not have the choice of returning to the slums, because there is no housing on the private market that can serve them. Instead, now they will become homeless.

In 1969, Congress chose Mr. Walsh's other fork in the road. It enacted the Brooke amendment which capped public housing tenants' rents at 25% of their incomes and made federal subsidies available to close the gap between tenants rents and the costs of operations. In introducing the bill that contained his amendment, Senator Brooke explained that minimum rents needed to pay operating costs were excluding "the very poorest and most needy of our citizens from participation in public housing projects." 115 CONG. REC. 21973 (Aug. 4, 1969). His bill, by capping rents at 25% of income and providing subsidies to cover the rest of the costs, would "insure that the Federal housing programs will at last begin to meet the requirements of our most needy citizens." Id. It would overcome one of the two gross impediments to better housing, "the inability of our poorest citizens to benefit from the units which are available." Id.

Senator Thomas J. McIntyre, of New Hampshire, co-sponsored the bill with Senator Brooke. When the bill was introduced, he explained the need for it as follows:

> The crisis in public housing is reaching dramatic proportions. Public housing authorities across the Nation are no longer able to provide adequate maintenance and services for tenants and at the same time preserve the low-rent character of the projects. Even though the Housing Act of 1937, which established the public housing program, stated that the program would serve those "families in the lowest income group" local authorities have been forced to set minimum income requirements and raise rentals in order to meet the rising costs of maintenance and operation. As a result, more and more of the poor and very poor are barred from admission to public housing projects.

115 CONG REC. 21973 (Aug. 4, 1969). The bill would correct that problem by providing operating subsidies and limiting tenants rents to 25% of income. As Senator McIntyre explained:

> In this way, minimum rents would no longer be required by the local housing authority. Tenants with the very lowest incomes would be eligible for admission to public housing. It would also mean that tenants already living in public housing will not be spending a disproportionate amount of their incomes for shelter.
>
> In addition, local housing authorities would receive adequate funds to maintain and operate the facilities and to provide needed services to tenants. It would no longer have to resort to the only method available, raising rents, to guarantee residents a decent place to live.

Id at p. 21974.

When the bill was considered on the floor in September of 1969, Senator Brooke elaborated further on the need for the change. He stated:

> Information available from HUD indicates that there are approximately 180,000 tenants in public housing projects who pay in excess of 25 percent of their income for such housing. This problem is further accentuated by inflationary pressures which are increasing operating costs considerably. Many public housing authorities, unable to obtain additional funds to cover these increased costs, are looking to public housing tenants for their source of additional funds. But these public housing tenants are unable, in many cases,

to meet prior payment schedules without allocating a disproportionate share of their income to housing, and they find it impossible to do so as their rental payments increase still further.

We believe that no public housing tenant should pay more than 25 percent of their income for housing; however, we certainly would encourage public housing authorities to charge considerably less where it is economically feasible to do so.

115 CONG. REC. 26,721-22 (Sept. 23, 1969).

No provision comparable to the Brooke Amendment had been included in the housing legislation passed by the House that year. However, in the Conference, the House receded to the Senate on this provision and included a modified version of the Amendment in the Conference Report. On the floor of the house, Representative Leonor Sullivan, from St. Louis, led the supporters of this change. In light of the fiscal crisis faced then by the St. Louis Housing Authority, she forcefully made the case for the modified version of the amendment, as follows:

One of the most troublesome problems we confronted in the conference had to do with a Senate amendment dealing with public housing. The Senate had proposed adding $75 million to the annual subsidy for public housing to enable housing authorities with a high percentage of very low-income tenants to reduce rents to a level of 25 percent of income. The amendment was well-intentioned, because the poorest people in the projects were often required to pay the highest percentage of their income for housing -- much more than welfare families in many jurisdictions could afford unless they received food stamps to enable them to eat a nearly adequate diet -- and the food stamps are not yet available in every jurisdiction -- these people had a "Hobson's choice" of either purchasing housing and very little else, or purchasing food and living in unimaginable slums.

It has been the policy of Congress for years that low-income tenants in public housing not be required to pay more than 20 percent of their income for shelter. But many housing authorities found it impossible to conform to this standard, particularly as more and more of their public housing families came from the lowest income levels -- on welfare. Minimum rents in public housing in St. Louis and elsewhere eventually rose to a level of 50 percent or more of their total income. Even with food stamps, the welfare families in our public housing projects have found it impossible to approach a minimum standard of living for survival. Yet, despite the high rental levels which the housing authority had to impose in order to meet operating costs, the authority has been in serious financial jeopardy, heading toward bankruptcy. Finally, the authority acceded to community demands to reduce rents to the 25-percent level.

115 Cong Rec 38,778 (Dec. 12, 1969).

The bill agreed upon by the Conferees was passed by both the House and the Senate on December 12, 1969, and signed into law by President Nixon on December 24, 1969. Pub. L. 91-152, 83 Stat. 379.

As in 1969, today we face a choice whether to continue to guarantee our lowest income people access to public housing or to embark on a course that will fence them out. We can repeal the Brooke Amendment and, in Senator Brooke's words, "exclude the very poorest and most needy of our citizens from participation in public housing projects." We can revert to the system, described by Senator McIntyre, under which the PHAs were "forced to set minimum income requirements and raise rentals in order to meet the rising costs of maintenance and operation. As a result, more and more of the poor and very poor are barred from admission to public housing projects." We can go back to the situation described by Representative Sullivan, in which: "Minimum rents in public housing in St. Louis and elsewhere eventually rose to a level of 50 percent or more of their total income. Even with food stamps, the welfare families in our public housing projects have found it impossible to approach the minimum standard of living for survival." We should not, however, repeat that history.

Another aspect of the history of the Brooke amendment is of particular significance in this time when reverence for local discretion has reached great heights again. Prior to 1959, there was a federal policy that public housing rents not exceed 20 percent of tenants' incomes. Conference Report No. 91-740, 1969 USCCAN p. 1584 (Dec. 10, 1969). In 1959, during a prior era of high reverence for state and local decision-making, Congress enacted the local autonomy amendment to the U.S. Housing Act. That amendment vested in local public housing agencies "the maximum amount of responsibility in the administration of the low-rent-housing program, including responsibility for the establishment of rents and eligibility requirements . . . ." Housing Act of 1959, § 501, Public Law 86-372, 73 Stat. 654, 680 (Sept. 23, 1959).

It was that local autonomy amendment that gave PHAs the freedom to raise tenants' rents when they later encountered operating cost increases that out-paced the tenants' income increases. But as Representative Florence P. Dwyer, Republican from New Jersey, explained when the Brooke Amendment was being considered 10 years later:

> Ten years ago, in 1959, when we revised that program [public housing] in the name of local autonomy, we had no intention of allowing local public housing authorities to charge higher and higher rents to the poor people as a means of avoiding bankruptcy. Yet, the much higher costs of today are no longer able to be financed out of rental income and in many cases public housing rents now greatly exceed tenants' ability to pay.

115 Cong Rec 38,778 (Dec. 12, 1969).

As it was in 1959, it would be a mistake now to grant PHAs unrestrained freedom to raise rents in the name of deregulation or devolution. The only way the poorest among us are to be assured access to federally assisted housing is to limit rents to a fair percentage of their incomes. The Brooke Amendment does that and thus should not be repealed.

The subsequent history of the Brooke Amendment also has a lesson for today. In 1974, when the entire U.S. Housing Act was being revised, concerns were raised that under the Brooke Amendment, some tenants were paying too little for rent. The committees considered various ways to get at that problem, and came up with a minimum rent set at 10 percent of gross income. They rejected other alternative minimum rents, set at flat levels or at a certain percent of operating costs. The reasons for rejecting those alternatives were explained in the House Report on the 1974 Act, as follows:

> The bill requires each tenant in public housing to pay a <u>minimum</u> rent. This minimum rent would be 10 percent of the <u>gross</u> income of the tenant. The committee considered other ways of formulating a minimum rent, most notably as a percentage of unit operating costs. The committee rejected this approach as having too divergent an impact nationwide since operating costs vary in different projects and the lack of any relationship between operating costs and ability to pay would cause undue hardship to many tenants.

H.R. REP. No. 93-1114, 93d Cong., 2d Sess. (June 17, 1994), 373-4.

In that same Report, Representative Moakley, from Massachusetts, in Supplemental views, explained even more clearly the inequities of minimum rents that are unrelated to the tenant's ability to pay:

> The concept of a minimum rent for occupants of low-rent housing is a regressive concept with which I cannot concur.
>
> In view of pressure generated by numbers of the Committee for such a provision, I believe the approach of establishing a rent based upon 10% of gross income is far more equitable than other formulas that had been suggested. Specifically, establishing a rent based upon unit operating costs, which had been considered by the Committee, lacked any relationship to ability to pay and would have placed an undue burden on most tenants.
>
> . . .
>
> It is inconceivable to me that we would look to the residents of public housing, and to the poorest residents at that, for the additional revenue needed, rather than to the subsidy system already mandated by Congress.

Id. at 554-5.

As in 1974, there is now much talk about a minimum rent in public housing. And those proposals are for flat minimums unrelated to the tenant's income, such as $100 per unit or $25 per bedroom. They produce the same inequity that the alternatives considered in 1974 created, i.e., they are not related to the tenant's ability to pay and thus impose the harshest burden on those whose incomes are at the bottom. Those kinds of minimums were rejected in 1974, for good reasons, and they should be rejected today, for the same reasons. The 10 percent of gross income minimum enacted in 1974, and still in the law today, should be retained, not replaced by an inequitable alternative.

Another question being raised today is whether the percentage the tenants pay should be raised from 30% to some higher figure, such as 35%. Again, history is worth something on this question. Up until 1959, the federal standard was 20 percent. Conference Report No. 91-740, 1969 USCCAN p. 1584 (Dec. 10, 1969). In 1969, when Brooke was enacted, the percentage became 25 percent. In 1979, the Congress granted HUD the authority to raise the percentage as high as 30 percent for families with incomes above 50 percent of the median income in the area. Pub. L. 96-153, §202(a), 93 Stat. 1106 (Dec. 21, 1979). That Act, however, grandfathered all tenants residing in public housing before the effective date of the change at the 25 percent level. Id. In 1981, the ratio was raised to 30%, and it was transformed into a mandatory rent for everyone, instead of a maximum that could not be exceeded. Pub. L. 97-35, §322(a), 95 Stat. 400 (Aug. 13, 1981). That is where we stand today, with the exception of the voucher program, under which the tenants pay 30 percent of income plus whatever the landlord charges for rent above the PHA's payment standard. Often that works out to 40 and 50 percent of income for voucher holders.

This continual increase in the amount tenants pay, from 20% in 1959, 25% in '69, 30% for some in '79, and for all in '81, 30% plus for voucher holders in '84 to 35% or more for all in '95 is regressive injustice, not progressive equity. Someone has to draw the line sometime, or the federal housing programs will go the way that Albert Walsh predicted in 1969. They will fail their intended mission of making decent housing available to people with low incomes. Now is the time to stop this insanity.

File: Approps - HUD

Aggregate Impact of Two House Appropriations Minimum Rent Proposals

Families in public housing and the Section 8 programs pay a minimum rent of $50 plus the full cost of utilities.

This proposal would affect 2.3 million families currently living in public housing and housing assisted under Section 8 of the U.S. Housing Act. The average rent increase would be $83 per month. About half the affected households are headed by an elderly or a disabled person and 40 percent are families with children.

Households affected	Number of HHs affected	Average monthly rent increase	Average annual rent increase
Total	2,300,000	$ 83	$996
Families with children	920,000	$106	$1272
Elderly/disabled	1,150,000	$60	$720

Source: HUD/PD&R estimates based on Quality Control Study sample income and rent data and DOE estimates of utilities expenditures.

Families in public housing who are neither elderly nor disabled pay a minimum rent as though their income were based on 30 hours of work per week at minimum wage, regardless of their actual income.

This proposal would affect 458,000 families currently living in public housing. The average monthly rent increase would be $96.

Number of HHs affected	Average monthly rent increase	Average annual rent increase
458,000	$96	$1152

Source: HUD/PD&R estimates based on 5 percent sample data from Multifamily Tenant Characteristics System

In the case of public housing, public housing authorities are to select one of these minimum rent provisions, apparently whichever results in the higher rent payment for the individual family.

July 19, 1995

July 19, 1995

RENT REFORMS PROPOSED IN COMMITTEE BILL

The Committee bill would harm poor families, the elderly, and vulnerable populations -- those least able to pay the costs of budget deficit reduction.

- The Committee bill adopts a number of onerous rent reforms which would be devastating to poor families, elderly households, and other vulnerable populations. All Section 8 certificate and voucher holders, and most public housing residents, will be required to pay more for rent.

- These rent reforms compound severe reductions in other Federal programs serving many of the same poor families. The Congressional Budget Resolution already assumes $100 billion in unspecified savings from means-tested entitlement programs, including the Earned Income Tax Credit, AFDC, SSI, Food Stamps, child care and child nutrition programs. Taken together, these changes would hurt millions of poor families.

The Committee bill suspends the Brooke amendment, a statutory provision which has capped tenant rents since 1969, and gives PHAs a free-for-all in raising rents to compensate for reduced federal funding:

- The Committee bill decreases public housing operating subsidies well below levels necessary to operate developments.

- To make up the inevitable operating deficits, the bill suspends the Brooke amendment, the statutory tenant contribution limitation which has been in place since 1969.

  PHAs will thus be free, and in fact will be required, to raise rents on tenants in order to cover their operating shortfalls.

  PHAs could set rents that would totally exclude households with the lowest incomes.

- Current residents could be forced to move into lower-cost housing, much of which is likely to be substandard quality.

  Low income tenants who fall behind in their rent payments could be evicted. Many could become homeless.

- The repeal could result in targeting public housing to higher income families, displacing poor, vulnerable, and elderly households, with few alternatives.

July 19, 1995

The Committee bill requires all public housing and Section 8 assisted households to be charged a minimum rent, with devastating effects:

- The bill requires PHAs to set a minimum rent, but gives them the option of setting it in three ways: (1) 32 percent of a particular state's AFDC benefit (for families) or SSI benefit (for individuals); (2) a $50 plus utility minimum rent; or (3) an amount based upon a presumed 30-hour work week at the Federal minimum wage rate. Moreover, each of the 3,300 different public housing authorities will be free to set rents in whatever manner they choose -- causing different rules in different jurisdictions, and inhibiting tenant mobility.

- Minimum rents would, by definition, fall disproportionately on those vulnerable households with the lowest incomes.

Minimum Rent Based upon $50 plus utilities

- At least 2.3 million families in public and Section 8 assisted housing will experience enormous rent increases, estimated to amount, on average, to $83 per month, or to $996/year.

    Affected elderly households would be required to pay, on average, an additional $720 per year.

    Affected households with children would be required to pay, on average, an additional $1272 per year.

- About 50 percent of those affected would be elderly or disabled households; 40 percent would be families with children.

- Setting this minimum rent would have disparate geographic effects, depending upon the utility costs in a region, and whether a state is a low-benefit or low-wage state.

- Households in high utility cost regions, such as the Northeast, the Midwest, or the deep South, will be doubly afflicted with rent increases, as they will, for the first time ever, be required to pay the full rent amount attributable to utility -- heating or cooling -- costs.

    For example, while 60 percent of all Section 8 assisted households in Louisiana would face an average annual increase of $948, only 15 percent of California assisted households would face an increase -- though an increase of $396 annually.

Three quarters of all West Virginia assisted households would face an average monthly increase of $96, and an average annual increase of $1,152.

Minimum Rent Based Upon Presumed 30-hour work week at the federal minimum wage rate

- Setting a minimum rent based upon a presumed 30-hour work week at the national minimum wage would also be devastating to families in low-benefit or low-wage states.

- Eighty (80) percent of all non-elderly, non-disabled public housing residents -- 460,000 households -- would be affected, with an average rent increase of $96 per month, or $1,154 annually.

- There are stark geographical disparities in the effects of this method of calculating a minimum rent. Families with no or low earnings in high-AFDC benefit States would be subject to relatively small rent increases, while such families in low-AFDC benefit States could be forced to pay more than 100 percent of their monthly benefits for rent.

  In Louisiana, an AFDC family of 3 would, on average, face an annual rent increase of $1,224, while an AFDC family in California would, on average, experience no rent increase at all. Louisiana AFDC families would be left with just $55 to cover all other expenses -- food, clothing, supplies -- each month.

  In Ohio, an AFDC family of 3 would, on average, face an annual rent increase of $684.

  In Florida, an AFDC family of 3 would, on average, face an annual rent increase of $816.

The Committee bill requires rents paid by Section 8 certificate- and voucher-holders to be increased from 30 to 32 percent of adjusted income

- This would cause great hardship for low-income families who are least able to bear such expenses.

- This would reduce work incentive among able-bodied adults.

  Households receiving housing assistance currently face extremely high marginal tax rates when they work. These work penalties would increase if tenant rent contributions are increased. Those households who get food stamps in addition to their housing aid would face a 56 percent marginal tax on each additional dollar of earnings, in addition to any other Federal or State payroll taxes. Those who get housing assistance alone would face a 32 percent marginal tax rate.

- This would Reduce the disposable income on the poorest in society who are least able to bear such expenses.

  The average voucher family has an income of a little under $8000 a year. An increase to 32 percent of adjusted income tax takes away an additional $140 per year from these families. This proposal would provide no tax relief to most of these families, since the child tax credit is not refundable and their incomes are too low to owe Federal taxes.

- This proposal may reduce the incentive for working families and moderate income elderly families to live in assisted housing.

  When rents are set as a percentage of income, tenants will move out when they can find a fixed-rent private apartment that offers better housing value. Under current rules, when 30 percent of income is greater than the value of the unit, the tenant leaves. Tenants will leave faster with a higher percentage of income.

The Committee bill effectively devolves federal decisionmaking to 3,300 individual PHAs, at the expense of a uniform federal rules.

- While devolving the design of housing programs to PHAs sounds reasonable, it would conflict in a fundamental way with the market-driven, choice-enhancing approach to housing assistance which the Department has proposed.

- Thousands of different housing programs would spring up across the country.

  Program rules could vary from one political jurisdiction to the next, even though most housing markets are metropolitan in scope.

- **The bill would inhibit Landlord Participation:** HUD has worked diligently to make tenant-based assistance more attractive to private owners of rental housing. In contrast, allowing each PHA to set its own rules would make it more difficult for landlords to participate in the program. Owners of rental housing, many of whom have properties located throughout a metropolitan area, would now have to comply with multiple administrative guidelines, different forms, and different monitoring guidelines.

- **The bill would Limit Tenant Mobility:** One of the most attractive features of tenant-based assistance is its potential for increasing family mobility. In addition to reaching out to a broader group of private owners, we have begun enhanced counseling efforts to ensure that families are aware of the range of neighborhoods, communities and housing types available to them. With tenant-based programs designed by each PHA, a family who wants to move to a neighboring jurisdiction to take advantage of better schools, or to another region in order to take a job, would be limited to those jurisdictions which would agree to accept other PHAs rent and income rules.

- **HUD has a limited ability to monitor and audit the performance of 3,300 agencies with different program rules.** HUD has made great strides in using computer technology to improve its monitoring of housing assistance programs to ensure timely and effective program administration.

JULY 17
1995

MINIMUM RENT: $50 PLUS COST OF UTILITIES

SECTION 8 TENANT BASED

ALL HOUSEHOLDS

	% FAMILIES WITH INCREASES	# FAMILIES WITH INCREASES	AVG $ INCREASE ANNUAL
NATION	53.18%	425720	$811
AL	66.7%	15912	$1,025
AK	13.9%	358	$1,123
AZ	61.9%	10046	$853
AR	65.4%	13619	$918
CA	15.2%	38535	$394
CO	52.7%	10925	$683
CT	50.3%	9213	$548
DE	66.2%	2226	$1,052
FL	55.3%	33272	$586
GA	64.5%	17603	$987
HI	14.7%	1337	$571
ID	47.2%	2375	$763
IL	56.5%	21932	$828
IN	61.7%	15071	$992
IA	52.4%	9953	$572
KS	60.5%	5499	$734
KY	69.5%	15965	$1,157
LA	59.9%	17849	$942
ME	55.6%	5439	$777
MD	63.6%	11093	$1,018
MA	40.5%	21020	$592
MI	54.7%	12034	$746
MN	48.8%	12033	$541
MS	52.3%	7661	$940
MO	59.8%	20807	$843
MT	56.2%	2409	$662
NE	48.9%	6209	$785
NV	50.8%	2994	$993
NH	25.6%	1684	$798
NJ	44.6%	23851	$672
NM	61.8%	7783	$738

	% FAMILIES WITH INCREASES	# FAMILIES WITH INCREASES	AVG $ INCREASE ANNUAL
NY	48.6%	72827	$790
NC	68.1%	26578	$969
ND	60.8%	3623	$790
OH	60.4%	35648	$854
OK	58.2%	11570	$804
OR	40.5%	10419	$563
PA	59.9%	35584	$941
RI	60.9%	4613	$709
RQ	73.3%	16773	$1,162
SC	62.3%	9647	$1,002
SD	56.2%	2979	$961
TN	64.1%	4628	$1,086
TX	61.9%	60763	$1,047
UT	44.3%	3345	$568
VT	29.7%	1214	$445
VA	59.8%	15202	$1,064
WA	40.7%	11626	$442
WV	74.7%	9552	$1,156
WI	29.6%	7057	$324
WY	60.6%	1123	$852

SOURCE: CALCULATED FROM MAY 1995 MTCS DATA