



### Recapture of Section 8 ... Continued from Page 3

#### Option 3: Maximize Retention of Administrative Fee Earnings up to 5 percent

This is a modified version of options 1 and 2. HAs could have reviewed Section 8 administrative fee expenses to support their Section 8 tenant-based program to ensure that their reported expenses were a bit less than their Section 8 administrative fee earnings so that they retained up to 5 percent of their FY 2003 administrative fee earnings. HAs could have considered dedicating their Section 8 administrative fee reserves for 'other housing purposes' (described in 2) so that those funds were no longer in their Section 8 administrative fee reserve account at fiscal year end 12/31/03. This option would have enabled the HA to retain all of its Section 8 administrative fees for 'other housing purposes' with the added benefit of retaining up to 5 percent of administrative fee earnings in FY 2003 in its administrative fee reserves at fiscal year end settlement. HAs should reference HUD's Housing Choice Voucher Guidebook, Chapter 30 on Financial Management.

#### Compliance

NAHRO played a big role in eliminating FY 2003 bill's regressive administrative fee recapture language from the FY 2003 omnibus bill. However, although the FY 2003 omnibus bills administrative fee and fee reserve provisions may be overreaching, agencies must comply with them. NARHO advises FYE HAs to consult their fee accountants concerning HUD's implementation of the Section 8 administrative fee and fee reserve provisions.

**If you are one of the HA's who has lost administrative fees, please email Deb Swift at [debswift@txnahro.org](mailto:debswift@txnahro.org). Although we won't specifically list your authority, we would like to use the total the amount of money lost by Texas HAs for use in our Congressional and Legislative contacts. Or call Swift at 800/617-2900.**

The Texas NAHRO Annual Scholarship Applications are available for distribution to eligible graduating high school seniors who participate in a Texas NAHRO member housing program. Please make students aware of the availability of these scholarships and provide as much assistance as necessary to students who wish to apply for a scholarship. (Examples of assistance include use of the HA's copier, providing postage, computer/wordprocessor, etc.)

In addition to making the applications available at all housing sites and program offices, housing authority directors are asked to provide copies to guidance counselors and other faculty members at high schools served by your programs.

It is necessary for directors to certify that any applicant from their agency is an eligible public housing resident or a participant in the Section 8 Program. To be eligible to receive a scholarship, the student's family income cannot exceed HUD's low-income limit for that family size. Your agency must also be a member in good standing of the Texas Chapter of NAHRO.

The certification form must be included with the application packet submitted by each student.

If you have any questions, please contact the Scholarship Committee chairperson, Blas Cantu, Harlingen Housing Authority at 956/423-2521 or Deborah Swift, Texas NAHRO service officer, at 800/617-2900.

### 2004 Award Applications Available

Deadline for the 2004 award programs is also March 5, 2004. Award Entry Forms are included with this newsletter. Award categories include: best annual report, best newsletter, other agency publications, media recognition, member of the year, maintenance person of the year, commissioner of the year and resident of the year.

### TDHCA Proposes Rule Changes Regarding Public Hearings

The Texas Department of Housing and Community Affairs is currently accepting comment from the general public on proposed rule changes regarding public meetings.

The rule change, which was proposed as a result of a bill passed during the 78th Legislative session, adds a section on the topics TDHCA may consider in relation to a proposed housing development:

- ◆ the developer market study;
- ◆ the location;
- ◆ the compliance history of the developer;
- ◆ the financial feasibility;
- ◆ the appropriateness of the development's size and configuration in relation to the housing needs of the community in which the development is located;
- ◆ the development's proximity to other low income housing developments;

- ◆ the availability of adequate public facilities and services;
- ◆ the anticipated impact on local school districts;
- ◆ zoning and other land use considerations; and
- ◆ any other topics that the board by rule determines to be appropriate.

Interested parties may provide input on the proposal by submitting their comments to Ms. Sarah Anderson, director of the Office of Housing Research, Planning and Communications, TDHCA, PO Box 13941, Austin, Texas 78711-3941; via e-mail at [sarah.anderson@tdhca.state.tx.us](mailto:sarah.anderson@tdhca.state.tx.us); or by fax at (512) 475-3746.

The public comment period ends February 9, 2004.



*The purpose of the Texas Chapter of NAHRO is to serve its membership engaged in providing persons of low and moderate income with the opportunity to live in adequate and safe housing and improving the quality of life for all within a community through development, redevelopment, conservation and rehabilitation activities.*

### HUD Issues RIM Enforcement Notice

HUD's new PIH Notice (PIH 2003-34), effective Dec. 19 seeks to inform housing authorities (HA) of "the consequences for failure to identify and correct income and rent determination deficiencies" in the public housing and Section 8 voucher programs. This notice formally announces enforcement mechanisms connected to HUD's Rental Integrity Monitoring (RIM) review process. The notice outlines:

- ◆ Incentives, disallowed costs and collections of excess or underpaid subsidies to families;
- ◆ Sanctions for HA's failure to respond to the RIM Review Report and implementing a Corrective Action Plan in a timely manner;
- ◆ Adjustment of SEMAP scores when inconsistent with RIM review findings;
- ◆ Self-assessment reviews by HAs; and
- ◆ Procedures for HA appeals of sanctions or disallowed costs imposed as a result of RIM reviews.

The notice also states that HUD will conduct additional RIM reviews of HAs managing over 250 (combined) units of public housing and Section 8 vouchers in FYs 2004 and 2005. See enclosed *Texas NAHRO training Schedule*.

### Upcoming Events

- ◆ **SW NAHRO Maintenance Workshop**, Feb. 17-19, 2004, Hot Springs, AR.
- ◆ **TEXAS NAHRO Annual Conference**, April 17-21, 2004 – Renaissance Austin Hotel - Austin, TX.

## 'Enough is Enough' Speaker says HAs Need to Send Message

The time has come for public housing authorities to send a strong, united message to Washington was the consensus of SW NAHRO members. This message was relayed through resolutions the group will send NAHRO to pass on to Congress and HUD, and also came from NAHRO's senior vice president who addressed the group at its Jan. 23-25 meeting in Austin.

### Industry Political Participation Urged

"Housing authorities face attacks on more fronts today than I have witnessed in my 30 years in the industry," Donald J. Cameron, NAHRO senior VP and chief executive officer of the City of Charleston Housing

Authority, told members of SW NAHRO on Saturday, Jan. 24.

"Not only are our housing authorities and our employees being negatively impacted by Congressional and HUD actions, but the people we serve will suffer as a result." Recent funding changes will affect thousands of families and will prevent authorities from serving families in the future, he added.

"Washington needs to hear enough is enough. Housing authorities can not operate at 91 percent funding...and they cannot serve people if Section 8 is capped," he said.

*(continued on page 2)*

## NAHRO Legislative Conference To Help Chart Industry's Future

At NAHRO's 2004 Legislative Conference, March 15-17, public housing representations will have an opportunity to address issues that could impact how housing and community development programs are administered locally. Several issues will be part of the congressional debate next year:

- ◆ A modified version of the 2003 Housing Assistance for Needy Families (HANF) proposal.
- ◆ HUD-forced consolidation of agencies that administer fewer than 500 vouchers.
- ◆ Creation of a model for vouchers similar to the Community Development Block Grant (CDBG), in which small agencies receive funds through the state, while large agencies receive a direct block grant allocation.
- ◆ Changes to the CDBG funding formula.

**See president's column, page 2**

- ◆ Limited federal funding, particularly for the voucher program and for administrative fees. A new production program that could result in revisiting a HOME-production set-aside.
- ◆ Deregulation of the public housing industry that might include rent reform to allow housing authorities flexibility to determine their own rent structure.

At the NAHRO 2004 Legislative Conference, participants also will hear from chief congressional and governmental policy makers who will forecast what is in store for the housing and community development industry. Attendees will spend time educating congressional members about the positive impact housing and community development programs have on local communities.

*The conference is being held at the JW Marriott Hotel in Washington. For more information, call Deb Swift at 800/617-2900.*



## Message from President Jim Hargrove



I want to encourage Texas NAHRO members to attend the upcoming NAHRO Legislative Conference. There are many critical issues facing the industry. Congress will be considering several

measures that could have a devastating effect on our authorities and communities. Some of these issues are listed in the articles on page 1 of this newsletter. We need our members to meet with their senators and representatives to explain how the issues on page 1 and the enclosed brochure affect our authorities as well as the positive impact our housing programs have on our local communities.

On an enclosed brochure you will find the current Texas Congressional list. If you don't know in which Congressional district you reside, just give Deb Swift a call or drop her an email. Whether you plan to send a letter or set up a meeting with your representative during the Legislative Conference, Deb will send you:

- information on your representative's Congressional voting record on key industry issues;
- the housing authority industry's impact on his or her district's communities;
- items to discuss with your representative or a sample letter; and
- the schedule and other Legislative Conference information.

As we go forward, Texas NAHRO will be working to increase our Congressional and Legislative contacts. We must ensure that these politicians understand our contribution to this state and the importance of our issues. We can know for certain that bills impacting our authorities will continue to be introduced at the state and national level.

I recently issued a request for proposal for a lobbyist to represent our industry during the next Texas Legislative session. The board will be reviewing proposals at its next meeting. But even if we hire a lobbyist to help track bills, it will remain critical that our members establish and maintain relationships with Congressional and legislative representatives.

**Together we can make a difference!**

## SWNAHRO Members...(Continued from page 1)

Cameron praised the housing authorities present at the meeting for working in a profession that helps families, but told them "It is vital that all us collectively work together to fight for what we believe and do it with heart."

Cameron stressed that housing authorities must vocalize their concerns to their Congressional representatives. He said preliminary estimates indicate that the recent appropriations bills passed by Congress has \$10.7 billion earmarked for special projects. "However, the appropriations bill does not add one more voucher than what existed a year ago."

He reminded attendees that the 2003 and 2004 appropriations bills did not increase housing appropriations at all. The upcoming 2005 appropriations proposal may include a 1 percent growth in domestic spending, but Cameron added this may not relate to housing funds at all.

Cameron asked authorities to call on their representatives to let them know how Congress' actions are impacting their authorities, their communities and their residents.

### Funding Concern Resolution

The SW NAHRO Housing Committee met on Friday, Jan. 23 and Saturday, Jan. 24 to discuss how funding changes were negatively impacting their housing authorities. As a result of the discussions, the committee drafted a resolution, which was passed by the SW NAHRO Executive Committee and will be sent to NAHRO.

The resolution, which noted the group's concern about funding formula changes, requested that HUD:

- ◆ fully fund housing authorities at 100 percent;
- ◆ fund current unfunded mandates including computer compliance and community service requirements or eliminate the mandates;
- ◆ provide funding for essential services such as criminal background checks;
- ◆ reinstate year-end settlements of utility adjustments;

- ◆ consider inflation factors that impact the cost of HA's services, materials and operations.

### SWNAHRO Addresses Harvard Cost Study

In Section 519 of the Quality Housing and Work Responsibility Act of 1998 (QWRA), Congress authorized a negotiated rulemaking committee (Neg-Reg Committee) to devise a new funding system for public housing costs. The Harvard Cost Study was commissioned to develop a formula for developing the funding system.

Because the SW NAHRO Housing Committee believes the Harvard study results are statistically unreliable and flawed, it recommended SW NAHRO pass a resolution requesting that the Neg-Reg Committee disregard the Harvard Cost Study in devising future funding formulas. The SW NAHRO executive committee unanimously passed the resolution.

### Legislative Committee To Step Up Efforts

Robert Anaya, chairman of the SW NAHRO Legislative Committee and director of the Santa Fe New Mexico Housing Authority, reported that NAHRO state chapters intend to step up efforts to meet with legislators at the state and national level.

Members were encouraged to attend the upcoming NAHRO legislative conference. (See article, page 1.)

### Industry Concerns Regarding Harvard Study

The Harvard Cost Study ended up recommending a method of redistributing static funding rather than fulfilling its assignment of determining the actual cost of managing well-run public housing.

- Accuracy** ..... Arbitrarily changed statistical results
- Adherence to Research Design** ..... No regulatory, operating environment or asset management adjustments
- Reliability** ..... Model predictions often vary significantly from actual property specific costs
- Comprehensiveness** ..... Can't benchmark very old, very large or scattered site properties
- Conclusions** ..... Study's findings contradict call for property-based management
- Effort** ..... Didn't conduct adequate sample of case studies of HAs or non-profit properties.

## Recapture of Section 8 Admin. Fees Significantly Impacting HAs

### One Texas Housing Authority reports losing \$30,000 of 2003 Section 8 administrative fee reserve funds.

Are you one of the housing authorities impacted by HUD's recapture of Section 8 administrative fees and still wondering how this happened?

Per Notice PIH Notice 2003-23, HUD interpreted FY 2003's omnibus bill in a way that allows HUD to recapture any excess administrative fees over an HA's administrative expenses to support its Section 8 program for fiscal year 2003 if the HA falls at or above the 5 percent minimum administrative reserve level.

Currently, many housing authorities impacted by the recapture of their administrative fees have filed an administrative fee reserve lawsuit. The progress and results of the lawsuit will be followed by Texas NAHRO.

In case you missed it, in December, NAHRO suggested three options to maximize administrative fee earnings and minimize fee recaptures that comply with Generally Accepted Accounting Principles (GAAP) and that fall within the confines of the FY 2003 omnibus bill.

### Option 1: Ensure Section 8 Expenses Equal Section 8 Administrative Fee Earnings

Housing authorities should have reviewed their Section 8 administrative fee expenses to support their Section 8 tenant-based program and to ensure that their expenses were at least equal to their Section 8 administrative fee earnings. In implementing the FY 2003 omnibus bill, HUD calculated the level of agencies administrative fees earnings by using their on-going Section 8 administrative fees, but not included special fees such as hard-to-house fees (for large-sized families, disabled persons, Etc.) preliminary administration (i.e. from opt-outs), lead test clearance reimbursements.

Agencies should also have reviewed their Indirect Cost Allocation Plan to consider revising it (within guidelines set forth by OMB A-87) to allocate the maximum amount of overhead to the Voucher Program that could be justified. Every HA should have a Cost

Allocation Plan and these plans have some latitude in terms of how to allocated central costs. For various reasons, many HAs under-allocate their overhead to the Housing Choice Voucher Program and should have changed this. By year-end HAs could have made a significant purchase to support the Section 8 tenant-based program. In this option, there would be no recapture of earned administrative fees. However, the HA would not have any Section 8 administrative fees to add to their Section 8 administrative reserves.

### Option 2: Utilize Voucher Administrative Fee Reserve for "Other Housing Purposes"

For starting some non-HUD activities (as seed money), HAs could transfer funds to existing non-HUD programs for "housing related expenditures" or to invest in property (affordable housing).

Board approvals of these actions were essential. Several years ago, HUD required HA boards to adopt a threshold for using vouchers resources for other housing purposes. In addition, disbursements in excess of the threshold needed to be approved by the board. HAs that obligate Section 8 administrative fee reserves for 'other housing purposes' can not park them indefinitely. This option assumed the HA has a combination of HUD and non-HUD activities. Under no circumstances, do HAs face recapture of their Section administrative fee reserves at a level which is below 105 percent of their FY 2003 administrative fee earnings.

(continued on page 4)

## HUD PIH Notice 2003-23 Examples Regarding Section 8 Administrative Fees

In all examples, the HA FYE is 12/31

**Example 1:**

Administrative Fee Reserve Balance 1/31/2003: .....	\$335,000
Administrative Fees Earned FFY 2002: .....	\$300,000
Administrative Fee Reserve Balance 12/31/2003: .....	\$175,000
<i>(The HA fiscal year end administrative fee reserve balance remains intact unless the HA chooses to spend a portion for "other housing purposes")</i>	
105% FFY 2002 Administrative Fees Earned: .....	\$315,000
HA FY 2003 Administrative Fees Offset by Reserve Balance: .....	\$20,000
<i>(\$335,000 minus \$315,000)</i>	
Administrative Fees Earned HA FY 2003: .....	\$310,000
<i>(5% = \$15,500)</i>	
Administrative Fees Paid HA FY 2003: .....	\$290,000
<i>\$310,000 - \$20,000</i>	
Administrative Expenses HA FY 2003: .....	\$284,000
<b>FYE Analysis:</b>	
Do HA FY 2003 administrative expenses exceed administrative fees paid?: No (\$284,000 < \$290,000)	
Is Admin Fee Reserve balance > or = 5% of FY fees earned: Yes (\$175,000 > \$15,500)	
<b>Result: HUD recaptures HA FY 2003 fees paid that exceed FY 2003 costs: \$290,000 - \$284,000 = \$6,000</b>	

**Example 2:**

Administrative Fee Reserve Balance 1/31/2003: .....	\$10,000
Administrative Fees Earned FFY 2002: .....	\$300,000
Administrative Fee Reserve Balance 12/31/2003: .....	\$10,000
<i>(The HA fiscal year end administrative fee reserve balance remains intact unless the HA chooses to spend a portion for other housing purposes)</i>	
105% FFY 2002 Administrative Fees Earned: .....	\$315,000
HA FY 2003 Administrative Fees Offset by Reserve Balance: .....	\$0
<i>(\$10,000 minus \$315,000 is less than zero)</i>	
Administrative Fees Earned HA FY 2003: .....	\$310,000
<i>(5% = \$15,500)</i>	
Administrative Fees Paid HA FY 2003: .....	\$310,000
Administrative Expenses HA FY 2003: .....	\$284,000
<b>FYE Analysis:</b>	
Do HA FY 2003 administrative expenses exceed administrative fees paid?: No (\$284,000 < \$310,000)	
Is Admin Fee Reserve balance > or = 5% of FY fees earned: No (\$10,000 < \$15,500)	
<b>Result: HA retains \$5,500 of excess fees, to raise Admin Fee Reserve to \$15,500; HUD recaptures balance of excess HA FY 2003 fees</b>	
Excess Fees: \$310,000 - \$284,000 = \$26,000	
Less amount retained by HA to raise reserve level to \$15,500: \$5,500	
<b>Recaptured: \$20,500</b>	

**Example 3:**

Administrative Fee Reserve Balance 1/31/2003: .....	\$10,000
Administrative Fees Earned FFY 2002: .....	\$300,000
Administrative Fee Reserve Balance 12/31/2003: .....	\$10,000
<i>(The HA fiscal year end administrative fee reserve balance remains intact unless the HA chooses to spend a portion for other housing purposes)</i>	
105% FFY 2002 Administrative Fees Earned: .....	\$315,000
HA FY 2003 Administrative Fees Offset by Reserve Balance: .....	\$0
<i>(\$10,000 minus \$315,000 is less than zero)</i>	
Administrative Fees Earned HA FY 2003: .....	\$310,000
<i>(5% = \$15,500)</i>	
Administrative Fees Paid HA FY 2003: .....	\$310,000
Administrative Expenses HA FY 2003: .....	\$317,000
<b>FYE Analysis:</b>	
Do HA FY 2003 administrative expenses exceed administrative fees paid?: Yes (\$317,000 > \$310,000)	
<b>Result: HA retains all administrative fees paid</b>	