



Metro HRA

Sequestration – Impact on Metro HRA Rent Assistance Programs

March 18, 2013



Sequestration

- Automatic across-the-board budget cuts
- Outlined in the Budget Control Act of 2011
- American Taxpayer Relief Act
- Effective March 1, 2013
- \$85 billion in cuts to domestic and defense programs
- Includes Non-Exempt non-defense discretionary programs



Sequestration

- Includes Housing Choice Voucher program
- 5.1 % reduction for CY 2013
- Two funding sources
 - Subsidy payments - \$2.5 reduction
 - Administrative fees - \$350k reduction
- \$2.5 million = rental assistance to 500 families



Options – Subsidy Payment

1. End rental assistance for 350 families effective May 1, 2013 and reduce program size through regular monthly attrition
2. Use Section 8 reserves to cover shortfall and keep program size the same as 2012
3. Some combination of both above – reduce # of families served and use some reserves



Considerations of Option 1

- 350 families lose their rental assistance
- Devastating effects on families served
 - Disabled, elderly, families with children, veterans
 - Pushed into substandard, unaffordable housing or homelessness
- Would keep spending in line with reduced budget authority
- Families are put on top of waiting list



Considerations of Option 2

- Use \$2.5 million in Section 8 reserves
- Least impact to families served
- Current reserve balance = \$7 million
- Would result in reserve balance falling below Council's target threshold
- Use of local funds for a federal program



Considerations of Option 3

- Reduce program size and use reserves
- Regular monthly attrition
 - Average 45 per month = 540 per year
- Due to reduction over the entire year
 - Spending \$1.5 million in reserves
- Results in starting 2014 with correct program size



Considerations of Option 3

- Balanced approach
- Mitigates negative impact to families served
- Keeps target fund balance above Council threshold
- Option recommended by staff and supported by Chair Haigh and Regional Administrator Born.



Additional Considerations

- Program size reductions are permanent
 - Future year funding based on current year spending
- No waiting list selections in 2013
- All in selection process put on “hold”
- Freeze on Project Based Voucher moves
- No PBVs offered through MN Housing’s Super RFP in 2013



Other Cost Containment Strategies

- Reduce the number of bedrooms given to families
- Institute a freeze on moves to higher cost units
- Rent freeze for all landlords
- Freeze on filling PBV vacancies



Administrative Fee Impact

- Administrative Fee earned for every voucher in use
- Reduce program size = reduced fees
- 5.1% fee reduction
- Lowest Funding in History of Section 8 Program
 - 2012 – received \$.80 on dollar for admin fees
 - 2013 projection - \$.69 on dollar for admin fees



Administrative Fee Impact

- 2013 budget \$300k in black
 - Reduction results in \$60k in red
- How will we accomplish this?
 - Vacant staffing position will remain vacant
 - Internal administration of services
 - Careful scrutiny of 2013 expenditures



Additional Program Implications

- Shelter Plus Care
 - Impact funds awarded in spring 2014
 - May reduce program size from 360 to 325
 - Accomplish through attrition
- Housing Opportunities with Aids (HOPWA)
 - Impact renewal grant for July 1, 2013
 - May reduce program size from 58 to 55
 - Accomplish through attrition

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